EXPANDING U.S. TRADE WITH SUB-SAHARAN AFRICA

HEARING

BEFORE THE

SUBCOMMITTEE ON TRADE

OF THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

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FIRST SESSION

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CONTENTS

SUBMISSIONS FOR THE RECORD

EXPANDING U.S. TRADE WITH SUB-SAHARAN AFRICA

TUESDAY, APRIL 29, 1997

House of Representatives,
Committee on Ways and Means,
Subcommittee on Trade,
Washington, DC.

The Subcommittee met, pursuant to call, at 10:06 a.m., in room 1100, Longworth House Office Building, Hon. Philip M. Crane (Chairman of the Subcommittee) presiding.

[The advisory announcing the hearing follows:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON TRADE

FOR IMMEDIATE RELEASE CONTACT: (202) 225–1721
March 31, 1997
No. TR–4

Crane Announces Hearing on Expanding U.S. Trade with Sub-Saharan Africa

Congressman Philip M. Crane (R–IL), Chairman, Subcommittee on Trade of the Committee on Ways and Means, today announced that the Subcommittee will hold a hearing on ways to expand U.S. trade with the countries of Sub-Saharan Africa. The hearing will take place on Tuesday, April 29, 1997, in the main Committee hearing room, 1100 Longworth House Office Building, beginning at 10:00 a.m.

Oral testimony at this hearing will be heard from both invited and public witnesses. Any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee or for inclusion in the printed record of the hearing.

BACKGROUND:

Sub-Saharan Africa consists of a diverse set of 48 countries, many of which have undergone significant political and economic change in recent years. Since 1990, more than 25 African nations have held democratic elections. At the same time, more than 30 countries have instituted programs to replace their centralized economies with free markets under the guidance of bilateral and multilateral donors such as the World Bank and the International Monetary Fund.

Despite the fact that 33 of the 48 countries in Sub-Saharan Africa are members of the World Trade Organization (WTO), U.S. trade with Sub-Saharan African countries relative to overall U.S. trade levels remains low. In 1996, U.S. merchandise exports to the region were valued at $6.1 billion, while U.S. merchandise imports in return totaled $15.2 billion. Although virtually all countries in Sub-Saharan Africa qualify for duty-free entry on a wide range of products under the Generalized System of Preferences (GSP) Program, GSP imports from the region equaled only $576.5 million in 1996, a figure representing only 3.4 percent of all U.S. GSP imports for the year.

In 1994, Congress passed the Uruguay Round Agreements Act, which contained aprovision requiring the President to produce a comprehensive trade and development policy for the countries of Africa. The first of the five reports called for by this legislation was submitted to Congress on February 5, 1996, and the second on February 18, 1997. Among other things, the President's reports set forth a policy framework structured around five basic objectives including: trade liberalization and promotion, investment liberalization and promotion, development of the private sector, infrastructure enhancement, and economic reform.

In announcing the hearing, Chairman Crane stated: "In recent years, a number of countries in Sub-Saharan Africa have undertaken the type of reforms that are necessary for them to attract investment, create jobs, and increase the standard of living for their citizens. At the same time, these reforms present many new trade and investment opportunities for U.S. exporters and workers. I believe that the United States must reach out to those countries in Sub-Saharan Africa that have taken steps to put their economies on the right track to help solidify these changes as these countries work to chart a new course for their future. I look forward to this opportunity to explore ways for the United States to expand and strengthen our trade relations with the region.”

FOCUS OF THE HEARING:

Witnesses are expected to address ways that the United States could develop closer trade relations with the countries of Sub-Saharan Africa, including changes in the GSP Program, granting other preferential trade benefits, the creation of foreign trade zones within individual Sub-Saharan African countries, or the negotiation of a free trade agreement with one or more countries in the region.

DETAILS FOR SUBMISSIONS OF REQUESTS TO BE HEARD:

Requests to be heard at the hearing must be made by telephone to Traci Altman or Bradley Schreiber at (202) 225–1721 no later than the close of business, Thursday, April 17, 1997. The telephone request should be followed by a formal written request to A.L. Singleton, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. The staff of the Subcommittee on Trade will notify by telephone those scheduled to appear as soon as possible after the filing deadline. Any questions concerning a scheduled appearance should be directed to the Subcommittee on Trade staff at (202) 225–6649.

In view of the limited time available to hear witnesses, the Subcommittee may not be able to accommodate all requests to be heard. Those persons and organizations not scheduled for an oral appearance are encouraged to submit written statements for the record of the hearing. All persons requesting to be heard, whether they are scheduled for oral testimony or not, will be notified as soon as possible after the filing deadline.

Witnesses scheduled to present oral testimony are required to summarize briefly their written statements in no more than five minutes. THE FIVE-MINUTE RULE WILL BE STRICTLY ENFORCED. The full written statement of each witness will be included in the printed record, in accordance with House Rules.

In order to assure the most productive use of the limited amount of time available to question witnesses, all witnesses scheduled to appear before the Subcommittee are required to submit 200 copies of their prepared statement and a 3.5-inch diskette in WordPerfect or ASCII format, for review by Members prior to the hearing. Testimony should arrive at the Subcommittee on Trade office, room 1104 Longworth House Office Building, no later than Friday, April 25, 1997. Failure to do so may result in the witness being denied the opportunity to testify in person.

WRITTEN STATEMENTS IN LIEU OF PERSONAL APPEARANCE:

Any person or organization wishing to submit a written statement for the printed record of the hearing should submit at least six (6) copies of their statement and a 3.5-inch diskette in WordPerfect or ASCII format, with their address and date of hearing noted, by the close of business, Tuesday, May 13, 1997, to A.L. Singleton, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. If those filing written statements wish to have their statements distributed to the press and interested public at the hearing, they may deliver 200 additional copies for this purpose to the Subcommittee on Trade office, room 1104 Longworth House Office Building, at least one hour before the hearing begins.

FORMATTING REQUIREMENTS:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be typed in single space on legal-size paper and may not exceed a total of 10 pages including attachments. At the same time written statements are submitted to the Committee, witnesses are now requested to submit their statements on a 3.5-inch diskette in WordPerfect or ASCII format.

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. A witness appearing at a public hearing, or submitting a statement for the record of a public hearing, or submitting written comments in response to a published request for comments by the Committee, must include on his statement or submission a list of all clients, persons, or organizations on whose behalf the witness appears.

4. A supplemental sheet must accompany each statement listing the name, full address, a telephone number where the witness or the designated representative may be reached and a topical outline or summary of the comments and recommendations in the full statement. This supplemental sheet will not be included in the printed record.

The above restrictions and limitations apply only to material being submitted for printing. Statements and exhibits or supplementary material submitted solely for distribution to the Members, the press and the public during the course of a public hearing may be submitted in other forms.

Note: All Committee advisories and news releases are available on the World Wide Web at 'HTTP://WWW.HOUSE.GOV/WAYS_MEANS/'.

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202–225–1721 or 202–225–1904 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Chairman CRANE. Good morning. I want to welcome our distinguished witnesses and guests to this hearing of the Trade Subcommittee on expanding U.S. trade relations with the countries of Sub-Saharan Africa.

For more than three decades, the United States has supported a variety of foreign assistance programs designed to aid the countries of Sub-Saharan Africa. However, traditional foreign aid alone will not lead to the level of economic development we would all like to see on the African continent. In the long run, private sector investment and development must serve as the catalyst for Sub-Saharan African countries to become self-reliant and raise the standard of living for their people.

Currently, there are no initiatives underway to engage the countries of Sub-Saharan Africa as business partners through trade and investment. In recent years, however, many countries in the region have held democratic elections and undertaken significant economic reforms. Given the change that is taking place, I believe it is appropriate for us to reexamine our policy toward the region.

In particular, I believe we have an opportunity in the 105th Congress to fill a major gap that exists in U.S. trade policy and in our relations for the region by reaching out to those countries that have taken steps to put the economies on the right track.

Last week, a number of my colleagues, including Congressman Rangel, Congressman Houghton, Congressman Matsui, Congressman McDermott, Congressman McNulty, and Congressman Jefferson of this Subcommittee joined me in introducing legislation intended to open a new era of trade and investment relations between the United States and the countries of Sub-Saharan Africa.

This legislation is designed to provide the necessary framework to open a mutually beneficial trade and investment dialog between the United States and Sub-Saharan African countries with a view toward eliminating the barriers which exist on both sides that inhibit the free flow of trade and investment at the present.

I look forward to our witnesses' testimony today and their input as we mark up legislation on this issue in the near future, and I would like now to recognize our distinguished Ranking Minority Member on the Committee for an opening statement.

Mr. RANGEL. Thank you. Thank you, Mr. Chairman.

First let me say welcome, Mr. Speaker. Bob Matsui is ill, but he certainly would have wanted to be here to give the opening statement on behalf of the Democrats on the Committee. I feel proud to be here, but I send his regrets.

Second, I don't normally read statements, but coming from the streets of Harlem where the rich history of Africa had been denied me, and not knowing that there was more to the world than Europe until the United Nations came to Manhattan, it seemed the great work that had been done by my friend and fellow Harlemite, Ron Brown, would be continued. When we lost him, I made a commitment that in some way I would want to be a part of continuing the great work that he had started, in letting the whole world know that, no matter what their culture, their language, or their color, that we, the United States, have somebody from those areas and those countries.

So when we move forward like this to provide the national leadership, the international leadership, it makes me proud to be an American, it makes me proud to be a Member of this great Congress, and even more proud to be a Member of this distinguished Committee.

This is history that is being made. We are writing it, and it is not just a feel good piece of legislation. It is not just to make our African friends feel good. It is supported by the President of the United States, by the Chairman of this distinguished Committee, by the Speaker of the House of Representatives. Therefore, it is a national piece of legislation aimed at doing not only what is in the best interests of the United States of America but also what is decent and the right thing for our friends in Africa.

This hearing is a message that our great Nation is prepared to bring down the curtains of the last vestiges of our cold war, which resulted in the isolation and containment of Africa. It shows that the war in Africa that pitted government controls against market-driven policies in many African nations—South Africa, Ethiopia, Uganda, Guinea, Cote d'Ivoire—recognized that private sector development is inextricably linked to job creation, capital formation, and overall infrastructure development.

A lot has to be done, but these nations have shown that they know the way, they are willing to work hard to make certain that they become trading partners, and that while Europe and Japan continue to dominate Africa's market, the question remains, where is America's policy on Sub-Saharan Africa?

I firmly believe that this African Growth and Opportunity Act, while so much has to be done, will be the very beginning of showing how great nations with great histories can work together.

Mr. Chairman, our challenges are going to be immense, but I think the mere fact that the United States of America is willing to go in, to provide the vehicles to not just give aid but to bring investment, to upgrade the infrastructure, will show the world and investors that if the United States is involved, we intend to be with this and we intend for Africa to join in those victories.

I want to thank the leadership of the Republican Party, not because they have not paid attention to Africa but because they have been in the leadership of free trade. We recognize that we are all looking for peace and tranquility, not only in Africa, but as the Speaker well knows, that in order to really have people to resist drugs and violence and crime, the major part of this legislation is bringing hope to people.

People wake up without knowing that they can achieve as others have. When we go to Taiwan and Singapore, we find people that a couple of decades ago did not know that they would be world competitors. And as we find people in our inner cities without this hope, we certainly found people in Africa who gained their independence but did not have the economic freedom that is so important to people to enjoy.

I want to thank those representatives of countries that have taken the time to come here to our hearing room and our Congress and an grateful that they would show their concern for their countries in Africa by coming.

Would our guests from Africa please stand, the Ambassadors.

Thank you. What a tribute.

[Applause.]

I think that is a tribute to our body and our Congress.

I also would like to welcome Speaker Gingrich. It is very unusual that the Speaker comes to attend hearings and legislation that is vital to the United States, and his presence means a heck of a lot in terms of this legislation becoming law.

I want to welcome Ambassador Barshefsky and my dear friends from New York: Percy Sutton, whose shoulder I stand on in getting here to the U.S. Congress; David Dinkins, my friend who set new heights for decency in city government; and my old friend, Jack Kemp, to whom I always give credit for the enterprise zones when he is present—and even when he is not present.

To the business leaders that have traveled from all parts of Europe to come here, this is the beginning. We have work to do. Again, I want to thank you, and I thank the Members of this Committee who have worked so hard, especially Mr. McDermott and also Mr. Jefferson, who have worked hard to bring us to this day of reality.

Thank you so much, and I apologize for taking so much time.

Chairman CRANE. I would now like to recognize Mr. McDermott.

Mr. MCDERMOTT. Mr. Chairman, I want to thank you very much publicly for making this happen. This would not have happened—when I put the amendment in the GATT bill 2½ years ago, I never thought I would have a Republican Chairman of the Committee, a Republican Speaker, and we would be in this situation. But without your leadership, we would not be anywhere near where we are today. And I want to make a public acknowledgment of the strong leadership you and Mr. Rangel have given, the stable and firm hand you have kept on the tiller all the way through this. And to Mr. Rangel I'd like to say thanks for your wise advice and leadership.

Chairman CRANE. Before we begin, I would like to announce we will be taking a break in our hearing after Secretary Kemp and Mayor Dinkins testify, and we will then hold a press conference and take a short lunch break. We will then reconvene to take testimony from our other witnesses.

For our first witness, we are honored to have with us the Speaker of the House, Newt Gingrich.

STATEMENT OF HON. NEWT GINGRICH, SPEAKER, U.S. HOUSE OF REPRESENTATIVES, AND A REPRESENTATIVE IN CONGRESS FROM THE STATE OF GEORGIA

Mr. GINGRICH. Let me thank the Committee for allowing me to come and testify. I thank the Ranking Member of the Full Committee for being here. It is a tribute to how important this is. And I want to thank Chairman Crane and Mr. McDermott for the leadership they have shown together in developing the right approach to Africa.

Let me say first on fast track in general that I am deeply supportive of the principle that we should have the widest possible areas of economic opportunity. I believe that creating more markets is good for the American people and good for American workers. I was just at the Carter Center last night working on the Agenda for Americas when fast track came up, and I indicated my hope that the administration will work with us to develop fast track legislation this spring.

But in Africa, I think we need a great deal of focus, and I think that this bill is a first step in the right direction.

Chairman Royce of the Africa Subcommittee of the International Relations Committee has also agreed, in the same spirit as Chairman Crane, to really take a new look at Sub-Saharan Africa, to try to find ways to break out of our current patterns and look at more effective ways to help with economic development, more effective ways to help with health and education, and more effective ways to strengthen the countries of the region.

It is a great tragedy that in the period since decolonization, economic growth has not kept pace with the enormous opportunities—in both human and natural resources—that exist in Sub-Saharan Africa. Paul Johnson in his "History of the 20th Century And Modern Times" argues that part of this is because one of the legacies of decolonization was an approach to economic development that emphasized governments too much and emphasized bureaucracies too much. It substituted loans from government facilities and grants from government facilities for the hard work of learning how to survive and prosper in market economies.

It is truly a tragic reality that Ghana and South Korea had approximately the same per capita income in 1960. Today that would seem almost inconceivable. Yet the fact is that there are policies that work and policies that succeed: policies of low taxation, of open markets, of competing in the world, of growing companies capable of manufacturing on a world basis, using assets capable of attracting capital, and doing so with the rule of law with private property and with a certainty and a civil service that is honest. Hong Kong, Singapore, Taiwan, South Korea are four examples.

As a sign of our commitment to finding out how to take that same pattern of growth and nurture it in Sub-Saharan Africa, Congressman Jefferson can report to this Subcommittee he serves on, of a conversation we had on a flight between Shanghai and Tokyo where for 2½ hours, a group led by Congressman Royce were working on the question of how to get the kind of economic development we had just seen in Shanghai? How do we encourage that kind of success? That is why, when I learned of this bill from Congressman McDermott and Congressman Crane, I was excited to come here today, not only to support the bill but to suggest a broad way of where I think we need to go in the United States.

I believe we should take on the challenge of developing a new vision and a new set of strategies for Sub-Saharan Africa, recognizing that that development has to occur in partnership with the people in the region. This cannot be an American vision. This cannot be an American imposition. We can't have a 21st century economic and cultural colonialism replacing the military, political colonialism of the 19th and the first two-thirds of the 20th century. But we can reach out to our many friends.

And in many ways we are a uniquely placed society because we have a very substantial part of our population with an African background, and the importance of many of those members of American society as shown on this particular panel by Congressman Jefferson and Congressman Rangel, shown over the weekend in Philadelphia by retired Chairman of the Joint Chiefs, Colin Powell. The fact is that we have an emotional and a psychological bonding to African countries, unlike virtually any other developing country in the world. We have an opportunity to join a genuine partnership.

And maybe I feel this particularly coming from Georgia, where we have Andy Young who is so recognized and, frankly, relied on his many friends in Africa to help us get the Olympics, and we feel a debt to reach out to Africa to repay for all the help we got during the period of deciding where the Olympics were to be held. So maybe from an Atlanta perspective I feel this more than people from other areas, although I note when you can have a Seattle/Chicago coalition offering a new bill, maybe this is a truly national undertaking.

I think that our strategy, and, again, from the standpoint of Atlanta and the Center for Disease Control, I certainly have a regular briefing and vivid awareness of the human cost of the disease level resulting from not having had adequate economic development in Africa and the price we are paying every day in human beings whose lives are shortened and, in some cases, tragically cut off in childhood when the most basic of public health standards could, in fact, save millions of people.

So I came today to say, one, that both in this Subcommittee and the Africa Subcommittee of the International Relations Committee, I want us to be committed to reengaging all of Sub-Saharan Africa in a true partnership that looks at everything from public health to education, to economic development, to the appropriate political institutions, recognizing that if you don't have the rule of law, you don't have an honest civil service, you don't have a fair tax system, it is going to be very hard to get economic development.

I would note over the weekend a report came out, I think it was Friday, by the World Bank, that said those countries that got international aid and had the right economic policies accelerated their development. Those countries that have the wrong economic policies decayed no matter how much economic aid they received.

Now, I would suggest we have an interest in reaching out to all the countries in Sub-Saharan Africa and saying, in effect, we want to work with you on the right economic policies, and recognize that the rule of law and honest civil service, a sense that your property will in fact be protected, and that your investment will be protected, is important. We want to work to develop the right economic policies, which are a low tax, high savings, and investment policy, which has worked in Singapore, Taiwan, South Korea, and is working right now in Shanghai and in Hong Kong. It will work in Uganda, Nigeria, Cameroon, it will work anywhere in the world, because human beings are all the same in terms of ability to develop once they have the right incentives and the right structure.

Then I want to say precisely as Chairman Crane said in opening this hearing, we want to extend the American market to the countries that are prepared to follow the right policies to ensure that you have the maximum opportunity to grow, selling in America and trading with America.

And the fact is, again, you can talk about all the miracles of East Asia, from Japan, South Korea, to Taiwan and Hong Kong, and Southern China today. If it were not for the generosity of the United States in committing itself to a larger marketplace, those countries could not have developed export economies.

While there are specific areas we have to look at, I think the spirit of this Committee is such that, as all of you know, we need to work on the issue of illegal transshipment of textiles, but that doesn't just relate to Africa, it relates across the planet. The fact is, that is an agreement that is not kept very well, and it doesn't help a country if all it becomes is a point of contact where textiles stop in briefly on the way to being shipped to the United States.

So while I am very much willing to open the American economy to Sub-Saharan textiles, I would like to make sure we adopt the right kind of mechanisms to ensure that they come from Sub-Saharan Africa, just as I want us to expand our reach into the Caribbean and establish parity between the Caribbean Basin Initiative and NAFTA. But I want to again make sure transshipment is not occurring, but the products are actually made there.

I hope that you will hold additional hearings. I hope you will meet with potential investors in Africa. I hope you will look at models such as the Grameen Bank in Bangladesh, which now extends loans to over 2 million borrowers, 94 percent of whom are women, and has a repayment rate of over 90 percent.

If we can put together the right package that includes a commitment to a free trade zone, a commitment to private sector economic development, a commitment to strengthening the institutions of government that are necessary for free enterprise to flourish, and if we can then work with educational and health areas reaching out from American assets to Sub-Saharan Africa, we could, before the end of the century, launch a new partnership for human progress on the African continent that will be a genuine partnership, not an American plan but a plan that Africans and Americans together create. And I think this Subcommittee, by launching this hearing, is taking a first step down that road, and I thank you for that and support your efforts.

Chairman CRANE. Thank you very much, Mr. Speaker, and I know you are aware of it as a historian, but a lot of folks in this audience may not realize that traditionally our Republican Party was the one that tried to maintain a great wall of China around this country in terms of trade, and our Democratic colleagues were the advocates of free trade.

And while we have reversed our roles a little bit, the fact is, we have the greatest degree of bipartisanship on the trade question, I think, of any that comes before Congress. So we have managed to maintain a degree of collegiality in this Committee which I profoundly appreciate.

I would like to yield to my distinguished colleague, Mr. Rangel.

Mr. RANGEL. Well, there are not many things, unfortunately, on which we enjoy this bipartisanship, so we might as well enjoy the tranquility around here. But it makes us better Americans when we are doing the right thing. It is true, when we expand opportunities for others, we expand opportunities for ourselves.

Whether Republicans or Democrats, there was a time where we just didn't recognize a billion individuals, and certainly Africa just wasn't on the agenda. Now we just can't afford it; we have to develop new markets. It is going to make us better Americans, and I am just so proud that on my watch is the beginning of a better world.

I want to thank the leadership, because doing these things is contagious, because when people are successful, when they are working, they just don't have time to sit down and talk about war and about other things. And it works internationally, it works in inner cities, and I know you have been a strong spokesman on how we can improve that and rebuild the infrastructure and give jobs to people.

So this is a very, very important day to me, Mr. Speaker, and I would hope we can get to the budget and enjoy this same type of bipartisanship.

Thank you.

Chairman CRANE. I hope so too, Charlie.

Mr. Houghton.

Mr. HOUGHTON. Mr. Speaker, I would like to ask you: As an educator, we can set up investment funds, we can ask for a quid pro quo in terms of economic policy, but the people who receive the money, whether it is a microcredit or macrocredit, have got to be there to make a free enterprise system work. And I wonder whether you feel we are doing enough to help the education of those people that will be the fulcrum for economic opportunity in that area.

Mr. GINGRICH. Thank you for the question.

I would say first of all, not only aren't we doing enough, but quite often we don't have a clear sense of what we are trying to do. Economic development is overwhelmingly a function of human enterprise, not a function of natural resources or other things. Hong Kong and Singapore are probably the best examples, but, frankly, so is the island of Manhattan. Manhattan is not great because it has great resources. It is great because its people have brought drive, creativity, and energy.

One of the great challenges we face is to recognize that there are clearly rules that work and rules that don't work. The private property rule of law, honest civil service, a low tax system with a bias in favor of savings and investment work. They work in the objective sense that people get richer, and get richer with remarkable speed, as China has proven recently. With a 10 percent annual growth rate, even on a fairly small base. That means you are doubling your economy every 7 years. It is a study worth taking seriously. Ghana and South Korea had the same gross national product per capita in 1960.

Now, if you were to go today and look at those countries, that is almost unbelievable. We saw a similar pattern, frankly, in the Western Hemisphere with Argentina, which was virtually equal with the United States in 1910, then went through a long period of deindustrialization and government overcontrol, and is now, thanks to President Menem, back on the road to becoming very wealthy again.

So you have to start with the idea that policies matter. You can have all the courses you want, but if a farmer or shopkeeper learns that they will lose most of the fruits of their labors to government or corruption or local thugs, they don't do as much.

So I think we have to start with the notion that we must establish the right principles, get the local government to agree they will instill that in the system, and then reach out to educate people. But I think the education in most cases is closer to a Small Business Administration than it is to the World Bank or Agency for International Development. If we could encourage enough growth of small businesses, we would be astonished 20 years from now by how many wealthy people there were in Africa.

Chairman CRANE. Mr. McDermott.

Mr. MCDERMOTT. Thank you, Mr. Chairman.

Mr. Speaker, I am probably the only one on this dais or even in the Congress who has read your Ph.D. thesis on Zaire, or, as it was in those days, the Belgian Congo, and I know you understand those countries.

And I appreciate what you said about the balance between trade and aid, that it is necessary to support the development of countries as well as opening the doors for trade. I think that is a very important point to make in this hearing, and I greatly appreciate your coming and saying that.

I know you have not, as all Speakers traditionally don't sign on bills, but I hope you will use your office any way you can to move our bill, because I think it truly is a historic day when the Congress recognizes that what we did with APEC in Asia we can do in Africa.

I was in Ghana in 1961, spent the summer there, so I know what the optimism of Ghana was in that year, and I have followed it over the years, and it is clearly possible for them to do what Korea has done. So with your help, I hope we can get it done, and I appreciate your coming today.

Mr. GINGRICH. Let me say, given the great empires that have flourished and the great centers of art and creativity and wealth that have flourished in Sub-Saharan Africa, there is no inherent or historic reason you could not have an explosion of human creativity in the next 30 years. I think aid has to be tied to the right policies however, and that is the part I would focus on, getting the policies right, reinforcing with aid, and then tying trade in such a way that the countries have the optimum opportunity to increase the development of wealth as rapidly as possible.

Chairman CRANE. Mr. Ramstad.

Mr. RAMSTAD. Thank you Mr. Chairman, Mr. Speaker.

Mr. Speaker, first of all, I want to thank you for your leadership in developing a new trade approach with Africa with our Subcommittee and with the Congress. Also, I appreciate your emphasis on the human cost of not promoting economic development in developing nations, and I know how deeply committed you are to this.

We had a long visit on the way to the flood-ravaged Red River Valley on Friday. The Speaker's commitment is very, very deep and very heartfelt, and I certainly appreciate that commitment.

I think this is a new day for many of us, and hopefully our friends who would have us erect a fence around the United States and who would not have us pass fast track legislation will join us in this renewed effort.

So thank you, Mr. Speaker, for being here today.

Chairman CRANE. Mr. Jefferson.

Mr. JEFFERSON. Thank you, Mr. Chairman.

I want to join our Chairman, Mr. Rangel, Mr. McDermott, and others who have spoken and will speak today in thanking you for taking the role you are taking on this legislation today.

I can and I do want to very much bear witness to your statement that on the plane from Shanghai to someplace—we went so many places I don't know at this time—we spent a great deal of time talking about this issue. And your sincerity came through those discussions and your commitment in private and now I am so glad to see in public so well expressed today.

We talked about capital development and the rules of law and the rules that change economic marketplaces, but we talked a great deal because Shanghai was so impressive with its infrastructure display.

This bill contains infrastructure funds, as you know, and it lays the foundation for a great deal of economic development in the private sector, we hope. And I wish you could relay a little bit to the Committee your impressions of how significant the infrastructure was in Shanghai to its economic development and laying the groundwork for privatization and private sector exposure and how we might see the same thing in Africa.

But I do want to again say how much I appreciate your being here, and how much I enjoyed the conversation, and how useful it was to us in our planning for this meeting, and how it expresses your deep commitment on this issue. I thank you for that.

Mr. GINGRICH. Let me go back to the comment about trade. If the country is willing to adopt the right policies and willing to trade in the kind of way this bill envisions, there are going to be places where the right infrastructure, and transportation—again, I came off the Infrastructure and Transportation Committee as to my own background. It is no accident that George Washington talked about the Corps of Engineers and the Potomac River. It is no accident that the Founding Fathers talked about establishing the post office and other things.

And Congressman Crane, who is a scholar in his own right and wrote textbooks, did tell you even in the very beginning of our country there was a sense of the importance of building the first turnpike, building a sense of the importance of infrastructure. The people wanted a limited effective government but one which, in port development and in other activities, strengthened the chance to create wealth for all Americans. And I think that tradition is one we want to continue.

And we want to say there are places in Africa that, with the right policies and the right development structures, you can have a great increase in wealth. But the two have to go hand in hand. Investing in the structure without the right policies simply creates a dam or a railroad or a bridge that is decaying because the systems aren't there to sustain it.

Chairman CRANE. Ms. Dunn.

Ms. DUNN. Thank you, Mr. Chairman.

Mr. Speaker, we are really glad you are here today, and we appreciate your comments. Particularly I appreciate your comments on fast track. I agree with you that it is very important for us to come together in a bipartisan way as quickly as possible, and I think you recognize that many of us on this panel are fast track supporters.

Ambassador Barshefsky is here today and will talk to us later and is making every effort for us to conclude some sort of agreements, and we appreciate your support.

I wanted to ask you one question which, I guess, has to do with public relations. Thinking about our attitude toward Sub-Saharan Africa, if you were putting together a public relations plan to change people's impression of that region, to make businesses, the business community, more aware of the investment possibilities down there, the potentials that exist which many corporations in my State of Washington—Weyerhaeuser, for one—have already recognized, how would you put this public relations plan together to change opinions and create a positive attitude toward becoming involved in trade with Sub-Saharan Africa?

Mr. GINGRICH. That is a good question.

I would, frankly, do most of it through the businesses that are already engaged in Africa. This Committee can certainly serve a very powerful purpose in bringing them together. But my guess is, you would find several hundred American corporations now have ongoing experience working in Africa. They can tell you far better than the State Department which countries have good rules, which countries have bad rules, which countries are in transition, and if they were to come together in a conference on job creation and wealth creation in Sub-Saharan Africa, they would both give you modifications for this bill that would make it a stronger and better bill, a more effective bill, and the energy of their meeting would then be communicated to other parts of the business community.

The business community legitimately asks, where can we make a profit next? Where can we create an American job doing something that works?

And I think having businesses helping to educate other businesses is dramatically more powerful than having the Agriculture Department or the State Department or the Commerce Department trying to explain to a company that they can make a profit.

So something this Committee may after these hearings consider is calling together a major conference of all the firms doing business in Africa, and I think you would find it a fascinating conference and one which I suspect some outside groups would be very interested in helping organize and put together and which, frankly, the Clinton administration may want to help put together.

Ms. DUNN. Thank you, Mr. Chairman.

Chairman CRANE. Mr. Nussle.

Mr. NUSSLE. No questions.

Chairman CRANE. We want to thank you profoundly, Mr. Speaker, for appearing today and speaking on behalf of this legislation, and we look forward to working with you on our side in the Congress and look forward to getting cooperation on the other side, too. And with that, we will excuse you now.

Mr. GINGRICH. Thank you.

Chairman CRANE. I invite our next witness, Hon. Charlene Barshefsky, our U.S. Trade Representative.

I would personally like to thank you and your staff, Charlene, in working with the Subcommittee staff in putting together this bill. I believe this bill will provide a much needed opportunity to open a market for our businesses and encourage economic stability in the Sub-Saharan region.

With that, Madam Ambassador, we are eagerly awaiting your word.

STATEMENT OF HON. CHARLENE BARSHEFSKY, OFFICE OF THE U.S. TRADE REPRESENTATIVE

Ms. BARSHEFSKY. Thank you, Mr. Chairman and Members of the Committee. It is a great pleasure to be here today on this, I think, very special occasion.

May I commend you, Mr. Chairman, for holding this hearing today, and may I also commend you, Mr. Rangel, Mr. McDermott, Mr. Jefferson, and others who have done so much to focus on the need to develop a new trade approach to Africa.

Mr. Chairman, Mr. Rangel, the Clinton administration enthusiastically endorses the basic approach of the African Growth and Opportunity Act that you have introduced. At the same time, as you know, we welcome today the opportunity to discuss the administration's program for promoting trade and investment with the countries of Africa.

We look forward to working with you and the Members of the Committee to draft and to craft and pass legislation that will help build a new trade relationship between the United States and African countries. We believe that this is an opportunity for us jointly to address the issue of our economic and trade relations with Africa.

Over the last year and a half, both the administration, the U.S. International Trade Commission, and the Congress have looked carefully at this question. Two recent reports prepared by the administration have provided a foundation for our future work in this area. The President, as you know, is very interested and committed on this subject and has directed us to determine what specific steps we can take to establish more substantial trade relations with Africa.

As you know, of course, Mrs. Clinton has also visited Africa recently and has noted that trade and investment are the wave of the future if we want to assure Africa's liberation into the global economy.

We recognize the achievements of many countries in Sub-Saharan Africa in pursuing economic and political reform, and we wish to offer special support to those countries committed to pursuing accelerated reform. We view the approach set forth in the Committee's bill and our approach as quite complementary.

Today I would like to review with you the Clinton administration's economic approach to Africa, what we have called the partnership for promoting economic growth and opportunity in Africa.

The partnership begins with the simple but powerful idea that American interests are best served if we view African countries as partners in trade and not merely recipients of aid. We begin with the idea that building a strong trade partnership with Africa's rapidly growing and reforming economies is a key to growth and opportunity in the rest of the continent. Our plan highlights Africa's success stories.

In the last few years, more than 30 countries have instituted economic reform programs: For example, liberalizing exchange rates and prices, privatizing state-owned enterprises, instituting tighter disciplines over government expenditures, ending subsidies and reducing barriers to trade and investment, and of course many countries have also undertaken political reform. These efforts have helped boost economic growth in Africa from 1.4 percent in the 1991–94 period to 3.4 in 1995 and 5.6 percent in 1996.

Of course, the United States needs to encourage these reforms and the growth that goes along with them. The benefits for the United States are clear. In an increasingly competitive global economy, we cannot afford to neglect a largely untapped market of some 600-plus million people, and the world cannot afford to see a vast region marginalized.

Lowering barriers will help African nations grow. They will also help Americans by opening these markets to our goods and services. Increased growth contributes to social and political stability on the continent and to enhance the capacity to address the problems with which we are all too familiar.

We recognize that Sub-Saharan nations have much work to do. In the last 40 years, Africa's share of global trade has fallen from 3.1 percent to 1.2 percent. A recent World Bank study has concluded that part of Africa's marginalization in world trade can be attributed to Africa's trade barriers that are far more restrictive than those in high-growth developing countries and which incorporate a substantial antiexport bias.

For example, import tariffs in Sub-Saharan Africa average almost 27 percent, whereas in the fastest-growing developing countries import tariffs average 8.7 percent. African countries also impose nontariff barriers on over one-third of their imports, a ratio nine times higher than the corresponding average for fast-growing exports. Such trade protectionism erodes the competitive position of African exports and costs the region an average of $11 billion a year in annual trade losses, about the same as total aid to Africa in 1991.

The core premise of the administration's approach is that those nations willing and able to pursue the most aggressive policies, principally by opening their economies to the world marketplace, are most likely to be engines of growth on the continent and require support.

Let me briefly turn to the specific elements of the administration's program. We recognize that not all African countries are ready or able to take steps necessary to spur high levels of growth. Therefore, we propose to make available and to work with relevant international institutions to make available the following opportunities to Sub-Saharan countries according to their desired level of participation in market-opening initiatives.

Under the overall partnership, countries can participate at one of three different levels. The first level of participation is designed to support efforts to achieved sustainable economic growth throughout Sub-Saharan Africa.

The administration intends to make the following opportunities and assistance available: First, enhanced market access for African nations through continuation of the GSP Program and an additional number of GSP products for least developed countries. We strongly hope that Congress will reauthorize the GSP on a multiyear basis. Second, we will offer investment support through OPIC guaranteed funds directed at equity investment and infrastructure progress. Third, AID support for regional economic integration. Fourth, support for African-American business relations through USAID. Fifth, encouraging the use of ExIm programs through a senior advisor to Africa. And sixth, to ensure trade issues with Africa receive proper attention, I have decided to create an Assistant U.S. Trade Representative for Africa.

Deputy Secretary Summers will discuss later the administration's plan with respect to the IMF, the World Bank, and other international financial institutions on steps they will be taking to support our program.

The second level of partnership participation is intended to support those countries which pursue a more aggressive growth-oriented strategy, by, for example, joining the WTO, binding commitments in the WTO, and taking other market opening initiatives.

There are additional opportunities that will be made available to these second-level participation countries. First, we will provide additional market access through an expansion of the GSP Program.

We are very pleased that the African Growth and Opportunity Act would provide authority for the President, after receiving advice from the International Trade Commission, to include in the GSP Program a number of products presently excluded. This is one major area of our proposed program for which we need legislative authorization. While we question the appropriateness of making eligible for GSP certain of the products mentioned in the bill, we wholeheartedly welcome the approach and want to work with the Committee on it.

Second, with respect to textiles and apparel, the administration recognizes the critical importance that this sector has with respect to developing countries, and we look forward here again to working with the Committee on an initiative in this regard. We support a program that will be consistent with our overall commitments with the WTO while taking into account the interests of U.S. industry and Africa.

Third, debt reduction. The administration will support an approach that leads to the extinction of concessional bilateral debt for the poor, heavily indebted countries, and we would urge the World Bank and IMF boards to provide deep relief under the HIPC debt initiative.

Fourth, we intend to create a U.S. Africa Economic Forum, which is a Cabinet-level forum designed to meet once a year to raise the level and caliber of the dialog between the United States and Africa's strongest reformers.

Next, we intend to provide bilateral technical assistance to promote support agriculture market liberalization, engage in trade promotion, and provide further commodity assistance.

Finally, Mr. Chairman, there is a third level of participation recognized in the administration's program, and that is the creation of trade agreements. We share your view that negotiations on removal of trade barriers and eventually trade can be a catalyst for growth. We think it is important that we send a signal to the private sector that Africa has the potential to become a more significant U.S. trading partner.

Therefore, we believe we should affirm that we are open to pursue free trade association with our partners in Africa, just as we have confirmed this with our partners in the Western Hemisphere and Asia.

The proposal in the Growth and Opportunity Act that we report on plans for such arrangement would provide such an opportunity. Of course, as you know, fast track authority would be necessary to conclude any such arrangement.

We invite all Sub-Saharan countries to open their markets by participating in this comprehensive three-tiered program. This graduated approach takes into account their diversity, commitment, and potential.

As you noted earlier, Mr. Chairman and Mr. Rangel, we believe the legislation before your Committee and the program that I have just outlined are quite complementary. We look forward to working on legislation and a program that maximizes our trade relations with Africa and that can lead to broad economic reform and accelerated growth.

We look forward to working with you and the Members of the Committee, and please accept my thanks for this opportunity to appear before you today.

[The prepared statement follows:]

Testimony of Ambassador Charlene Barshefsky
before the
Trade Subcommittee of the House Ways and Means Committee
April 29, 1997

We welcome the opportunity to discuss the Administration's program for promoting trade and investment with the countries of Africa. I want to commend this Committee for its leadership in focusing on the need to develop a new trade approach to Africa. The Clinton Administration enthusiastically endorses the basic approach of the African Growth and Opportunity Act that you have introduced, and we look forward to working with the Committee to craft and pass legislation that will help build a new trade relationship between the United States and African countries.

We believe that this is an opportune time for us jointly to address the issue of our economic and trade relations with Africa. Over the last year and half both the Administration and the U.S. International Trade Commission have submitted two reports on this question. Our most recent report sought to lay a foundation for our future work in this area. The President is very interested in this subject and has directed us to determine what steps we can take to establish more substantial trade relations with Africa. As you know Mrs. Clinton has also visited Africa recently and has noted that trade and investment are the wave of the future if we want to assure Africa's integration into the global economy,

We recognize the achievements of many countries in Sub-Saharan Africa in pursuing economic and political reforms and wish to offer special support to those countries committed to pursuing accelerated reforms. Today, I want to introduce the Clinton Administration's new economic approach to Africa, what we call the "Partnership for Promoting Economic Growth and Opportunity in Africa." This partnership begins with the simple but powerful idea that American interests are best served if we view African countries as partners in trade, not simply recipients of aid.

We begin with the idea that building strong trade partnerships with Africa's rapidly growing and reforming economies is the key to generating growth and opportunity in the rest of the continent. The 48 countries in Sub-Saharan Africa are quite diverse. Some African countries are already showing that the continent can be a region of dynamic economic growth, and that there is no reason why they cannot achieve Asian levels of growth if they make the right choices. Only if we build on Africa's progress can we change the minds of those in the private and public sectors who doubt the continent's potential.

Our plan highlights Africa's success stories. In the last few years, more than 30 countries have instituted economic reform programs. They have adopted the most critical reforms -- liberalizing exchange rates and prices, privatizing state-owned enterprises, instituting tighter disciplines over government expenditures, ending costly subsidies, and reducing barriers to trade and investment. Many countries have also undertaken political reforms.

Reform efforts have helped boost economic growth in Africa from 1.4 percent in the 1991-94 period to 3.4 percent in 1995 and 5.6 percent in 1996. The United States seeks to encourage these reforms and the growth that goes with them. The benefits for the U.S. are clear. In an increasingly competitive global economy, the United States cannot afford to neglect a largely untapped market of some 600-million-plus people, and the world cannot afford to see a vast region marginalized. The lowering of tariffs and other trade barriers will help African nations to grow. They will also help Americans by opening these markets to our goods and services.

Increased growth will also contribute to social and political stability on the continent and to an enhanced capacity to address the problems with which we are all too familiar. We recognize that Sub-Saharan nations have much work to do. In the last 40 years, Africa's share of global trade has fallen from 3.1 percent to 1.2 percent. A recent World Bank study has concluded that part of Africa's marginalization in world trade can be attributed to African trade barriers that are far more restrictive than those in high-growth developing countries and incorporate a substantial anti-export bias. For example, import tariffs in sub-Saharan Africa average 26.8 percent, whereas they only average 8.7 in the fastest-growing exporters in the developing world. African countries also impose some form of nontariff barrier restrictions on over one-third of all of their imports, a ratio that is almost nine times higher than the corresponding average for fast-growing exporters. Such trade protectionism erodes the competitive position of Africa's exports and, according to this study, costs the region an average of $11 billion per year in annual trade losses -- about the same as total aid to Africa in 1991.

The core premises of our plan are that those nations willing and able to pursue the most aggressive growth-oriented economic policies -- principally by opening their economies to the world marketplace -- are the ones most likely to be the engines of growth on the continent and require significant support

Many African countries have been able to make substantial achievements in restarting economic growth by taking bold steps to open, liberalize, and privatize their economies. The most dramatic progress has come when countries have focused on three areas: trade and investment liberalization, investing in human resources, and improving policy management. For this reason, our program seeks to emphasize support for countries that are making strong efforts in these areas.

In the area of trade and investment, we attach particular importance to the extent to which countries have made substantial progress towards reducing tariff levels, binding their tariffs in the WTO and assuming meaningful binding obligations in areas of trade such as services, and in eliminating nontariff barriers to trade. We also think it is very important that any country in Sub-Saharan that is not already a member of the WTO should be actively pursuing membership in the WTO and be prepared to take on meaningful obligations. We are pleased that several African countries made commitments in the recently concluded WTO telecom services negotiations. We also hope that these countries will also make commitments in the WTO financial services negotiations which resumed last month.

We also believe economic growth may be enhanced by factors in the trade and investment area such as the provision of national treatment for foreign investment, a readiness to begin negotiations with the United States on a Bilateral Investment Treaty, privatization of sectors of the economy that are most likely to attract foreign investment, their compliance with their programs with and obligations to the International Monetary Fund and other international financial institutions and the introduction of current account convertibility.

Mr. Chairman, I would like to briefly discuss the specific elements of the Administration's program for Partnership for Economic Growth and Opportunity in Africa. Through this Partnership the United States would seek to work in particular with those countries making strong efforts at growth-oriented policies in areas such as those I have just discussed.

We recognize that not all African countries are ready or able to take the steps necessary to spur high levels of economic growth. Therefore, we propose to make available and to work with the relevant international institutions to make available the following opportunities to Sub-Saharan countries, according to their desired level of participation. Under the overall partnership countries can participate at one of three different levels.

To support efforts to achieve sustainable economic growth throughout Sub-Saharan Africa, at the first level of participation the Administration will make broadly available the following opportunities and assistance. Level I will include notably:

> -- *Enhanced market access.* African nations should continue to receive preferential market access under the existing Generalized System of Preference (GSP) program, which provides less-developed countries duty-free access for products in some 4,000 tariff lines and will provide least-developed countries enhanced access on products in up to an additional 1800 tariff lines.

-- We strongly hope that the Congress will quickly to re-authorize the GSP on a multi-year basis. For 20 years it has provided developing countries with preferential tariff access to the United States, and we believe it can be even more effective with the expanded product coverage that was authorized last year for the least developed countries.

-- *Investment support.* The Overseas Private Investment Corporation (OPIC) is working with the private sector sponsors of a proposed $150 million fund for equity investment in a variety of economic sectors. Two-thirds of the fund would consist of OPIC guaranteed debt. OPIC is also working to develop one or more separate funds that would focus on economic infrastructure projects. These potential funds would have aggregate capital of up to $500 million. We have also secured agreement that the African Development Fund will develop a capacity for financing infrastructure projects, in particular those that will improve linkages among markets, both within countries and regionally. We are pleased that HR 1432 calls for such funds.

-- *Support for regional economic integration.* Under the U.S. Agency for International Development's (USAID) Initiative for Southern Africa support will be provided for private and public sector cooperative activities in areas of regional concern, including investment policy harmonization, regional business ties, financial sector development, privatization and facilitating cooperating between private sector and regional governments.

-- *Support for American-African business relations.* USAID will provide support to help catalyze American-African business ties.

-- *Export-Import Bank.* The Export-Import Bank of the United States will encourage use of its programs through designation of a senior advisor on Africa to its board and a campaign for outreach, particularly with the private sector.

-- *Assistant U.S. Trade Representative for Africa.* To ensure that trade issues with Africa receive proper attention, I have decided to create an Assistant U.S. Trade Representative for Africa.

As Deputy Secretary Summers will discuss later, the Administration plans to work with international institutions such as the IMF, the World Bank, and the African Development Bank Group on greater support for private sector investment, trade development, and capacity building.

To support those countries pursuing aggressive growth-oriented policies, the Administration would offer, at the discretion of the President, the following additional opportunities, which we have characterized as level two participation:

-- *Additional market access through expansion of the GSP program* -- We are very pleased that the "Africa Growth and Opportunity Act" would provide authority for the President, after receiving advice from the U.S. International Trade Commission, to include in the GSP program for these countries a number of products that are presently excluded. This is the one major area of our proposed program for which we need legislative authorization before moving forward. While we question the appropriateness of making eligible for GSP certain products mentioned in the bill, we wholeheartedly welcome this approach and want to work with the Committee on it.

-- The Administration recognizes the importance of the textile and apparel industry to developing countries. We are looking forward to working with Congress on an initiative. We support a program that will be consistent with our overall commitments under the

WTO, while at the same time taking into account the interests of U.S. industry and Africa.

-- *Debt reduction.* To help ensure that the growth-oriented countries now burdened by excessive debt are in a position to invest in human resources, the Administration would support an approach that leads to the extinction of concessional bilateral debt for the heavily indebted poor countries (HIPC), and we would urge the World Bank and IMF boards to provide deep relief under the HIPC debt initiative,

-- *Creation of an U.S.-Africa Economic Forum.* The Administration will establish a Cabinet- and Minister-level forum to meet once per year in order to raise the level and caliber of the dialogue between the United States and Africa's strongest reformers,

--*Bilateral technical assistance to promote reforms.* USAID will finance short-term technical assistance to African governments to liberalize trade and promote exports; comply with WTO obligations and assuming additional ones, and make financial and fiscal reforms. The U.S. Department of Agriculture will provide technical assistance to promote agri-business linkages.

-- *Support for agricultural market liberalization.* As part of the new multi-year Africa Food Security Initiative, USAID will help address such critical agricultural policy issues as market liberalization, agricultural export development, and agribusiness investment in processing and transport of agricultural commodities.

-- *Trade Promotion.* The Trade Development Agency(TDA) will increase the number of reverse missions to growth-oriented countries.

-- *Programming commodity assistance.* To help countries experiencing budget shortfalls in the course of their growth-through reform programs, and to encourage more effective spending on human resource development and agricultural policy reform, the Administration will take steps to focus PL-480 Title I assistance more on growth-oriented countries in Africa and will explore the possibilities to increase funding for Title III assistance from within PL-480.

-- *Support for economic policy reform.* In FY-98, if the Administration's budget request is approved and funds are made available, USAID will provide support for growth-oriented programs with both technical assistance and program support funds.

Finally, the Administration's program will hopefully lay the groundwork for a third level of economic involvement: the creation of free trade areas. We share your view that negotiation on removal of trade barriers and on eventual free trade agreements can be a catalyst for increased trade. We think that it is important that we send a signal to our private sector that we are serious when we say that Africa has the potential to become a more significant U.S. trading partner. Therefore, we believe we should affirm that we are open to pursuing free trade agreement negotiations with our trading partners in Africa, who are ready to take on those obligations, just as we have affirmed with our partners in South and Central America and in Asia. The proposal in the "Growth and Opportunity Act" that we report on plans for such agreements with African countries would provide such an opportunity.

We invite all Sub-Saharan countries to pursue a course toward freer trade and open markets by participating in this comprehensive program. This graduated approach takes into account their diversity, commitment, and potential.

As I noted earlier Mr. Chairman, we believe the legislation before your Committee and the program I have just described are quite complementary. We hope that we can work together to have legislation and a program that maximizes the contribution our trade relations with Africa can make to broad economic reform and accelerated growth there. Mr. Chairman, we look forward to working with you and the members of the committee, and please accept my thanks for this opportunity to speak with you.

Chairman CRANE. Thank you always, Madam Ambassador, and we share your concerns about fast track, because that is an essential component of the advancement of our legislation under consideration today.

Let me ask you one quick question. At the present time, the U.S. market share in Sub-Saharan Africa is about 7 percent, and the European Union has about 40 percent. Can you explain that very significant disparity between our performance and the EU's performance, and what might be done on our part to equalize our economic relationships?

Ms. BARSHEFSKY. Certainly a large part of the disparity is historic and relates to Europe's traditional role in Africa. Part of the disparity has to do with a lack of attention by the United States on increased African trade. Part of the disparity has to do with differences in inward investment as between U.S. companies and European companies in Africa. Part has to do with longer standing preference programs that the European Union has had with respect to Africa than we. I think there are a number of factors that account for the disparity.

What is critical, though, is that the United States should no longer cede economic opportunity to the European Union based upon historic predilection of Europe and African nations. We instead should move forward the way we have outlined and the way the bill outlines to capitalize on this emerging region.

Chairman CRANE. That is encouraging, and I hope this is our first step to a giant leap forward.

Mr. Rangel.

Mr. RANGEL. Thank you, Mr. Chairman, and we are so fortunate to have someone of your capacity in leading us in this international competitive trade era that we find ourselves today.

There has been a lot of talk about fast track, and, again, it is a very bipartisan issue. As soon as the President can share with us what fast track means to him, some of us will be in a better position to know what it means for us.

When we were together in Singapore, I remember being in the Office of the President of Singapore. There was a banner from a local trade union thanking the President for making sure free trade wasn't just for the country, wasn't just for the companies, but was for the people, improving their quality of life. And I know our President would want nothing less as we enter into new trade agreements—to make certain that it is the people of these countries who are the beneficiaries and that the agreements don't adversely affect people of this country. Knowing that is his view and your view, I join with the Chairman in hoping we can get something before us.

Let me thank you for publicly announcing your decision to reorganize USTR to reflect the importance of Africa. I want to share something that our Speaker has said, because he mentioned how emotional this question can be for so many Americans, finding their heritage in Africa. I think this means a lot to Africans, and I know it means a lot to African-Americans.

We have been separated by distortions of history, we have been forced to be skeptical of each other, because we have never been able to participate in the writing of history. By the same token, this gives us the positive opportunity to show growth and enjoy it vicariously like so many Members of Congress are able to do with countries that they have these special relationships with.

I am confident that kids all over the United States of color will now look at Africa as a place where they can invest, where we can become partners, where they can say maybe at some time they found a place to send a care package to. This has been denied to so many Americans.

And so in addition to improving the quality of life and expanding trade, I think it is making a large segment of Americans of color so proud of our country as we provide the leadership that is so sorely needed to bring people together and improve the quality of life.

So I look forward to seeing how I can help in support of your decision to have an assistant trade representative that deals with Africa. We are fortunate that our African Ambassadors of the Southern African Development Community are so organized and willing to work with us, so we are not talking about an American solution. We also have the South African Business Council. So they are organized, they are ready to work.

The President of the United States has gone out of his way to share with Members of Congress the depth of his commitment, and it is my understanding that Africa is going to be at the G–7 one of the top priorities.

Mr. RANGEL. And so we know we have a long, long way to go. But I think Ron Brown would be happy to know that we didn't drop the ball.

Thank you.

Chairman CRANE. Mr. Ramstad.

Mr. RAMSTAD. Thank you, Mr. Chairman.

Madam Ambassador, I do agree that you are doing an outstanding job, and I appreciate the pleasure of working closely with you on these important trade issues. I also, coming from Minnesota, appreciate your commitment to trade in agriculture. I know, having talked to a number of experts on Africa, many of them believe that agricultural trade and development are really key to sustainable economic development in the region.

I would like to ask you, Madam Ambassador, specifically what barriers are the main problems for agricultural exports to Africa, and what actions are you contemplating to open Sub-Saharan markets to our agricultural commodities as well as value-added products?

Ms. BARSHEFSKY. Without being facetious in any way, the main barrier to our agricultural exports, as to many of our exports, is extreme poverty. Certainly, there are countries that have imposed arbitrary barriers on agricultural products; for example, South Africa with respect to poultry and the introduction of rather surprising high tariffs. But in the main, it is poverty that constitutes the most significant barrier to U.S. exports to Africa.

Our total exports to Africa last year were about $6 billion in total. This is change, as we would think of it in trade terms. It is terribly, terribly important in the bill before this Committee that the administration's additional program reverse the economic marginalization of Africa.

An economically marginalized Africa leads to instability. It simply enshrines poverty as an immutable condition. It generates conflict. It is absolutely in our interests, not just our export interests of course but in our much broader national interests, to see these economies grow and flourish, to see rule of law, and to see democracy continue to take hold.

And with respect to agriculture, of course, Africa is a continent of 600-plus million people. We see extraordinary opportunity there, but there is little opportunity when poverty is the overriding characteristic of a region.

Mr. RAMSTAD. Thank you.

I yield back, Mr. Chairman.

Chairman CRANE. Mr. McDermott.

Mr. MCDERMOTT. Thank you, Mr. Chairman.

I appreciate your coming and throwing the executive support behind our bill. It is a pleasure, and I think that with negotiations, I am sure we could work out something that will pass, hopefully, both in the House and in the Senate. So we are greatly appreciative of your work, and I would echo the words of Mr. Rangel in that it is pleasing to see that you decided to appoint somebody in your office to be responsible for Africa.

It seemed to me, when I looked at this issue a long time ago, that it was hard to understand why we didn't have one person who had the responsibility. In fact, one of our more difficult issues, was finding somebody in the executive branch to actually talk to. So it is very nice to finally have somebody to talk to directly.

Thank you very much.

Chairman CRANE. Ms. Dunn.

Ms. DUNN. Thank you. Thank you, Mr. Chairman.

Ambassador, it is good to see you again. You certainly have a lot of respect from the Members of this Committee. Your intentions are excellent, and we appreciate your patience in taking this difficult job.

I just want to say a thing about patience. I have been on this Committee a very short time, and yet I have watched how slowly these initiatives move. We have talked about trade agreements in our hemisphere. We have talked about fast track since I have been on this Committee for the last 2 years. And it seems like every time we get to the verge of really moving ahead with something, something stops the momentum.

And I would just ask you to spend a minute or two talking about why you believe this initiative has a chance of moving forward, and are we going to have to wait years and years, as we have been waiting, for a country like Chile, who is well qualified to be in NAFTA, not to be able to come in over and over again? Give me some hope.

Ms. BARSHEFSKY. The hallmark of an effective trade policy for the United States has always been its bipartisan character. Other countries take us seriously when we present a united front. I think that Mr. Crane, Mr. Rangel, saw this in spades in Singapore.

When you have representatives from both sides of the Ways and Means Committee looking over the shoulders of these countries, looking over the shoulders of the administration—which you need to do, as you all know, and which I welcome—countries pay attention; they take notice of that combined and unified effort.

With respect to fast track, with respect to the Africa Initiative, with respect to other initiatives that may come before Congress, these initiatives also must be the product of bipartisan cooperation. This is how we strengthen our hand economically. This is how we best signal our genuine intentions to our trading partners.

With respect to fast track, the goal has always been to build a strong bipartisan consensus for fast track. To be sure, there will never be unanimity, but a strong bipartisan consensus is the appropriate goal here and one that would allow the country to move forward in the way in which we must, which is to capitalize on our current competitiveness, which is to recognize that our market is already open.

The leveling of the playingfield, by definition, means to remove access barriers in other countries, and that means having all of the tools at our disposal to do that. Fast track is one such tool, a very important tool.

With respect to this African Initiative, it will be equally important to show strong bipartisan support, because we are embarking on a new regime with respect to Africa. We are paying attention, as a country, to this continent as we have never paid before, and this attention must be demonstrated by strong bipartisan leadership and a strong bipartisan outcome in the Congress for this legislation. And this administration is committed to helping create that bipartisan consensus on all of these issues and is committed to moving forward as quickly as we can.

Ms. DUNN. Thank you.

Chairman CRANE. Mr. Houghton.

Mr. HOUGHTON. Thank you, Mr. Chairman.

Thank you, Ambassador, for being here.

There are three tiers of the program that you have. There are seven issues on one, there are eight issues on another, and the third is a creation of free trade. Point out for us the two or three big things that we should be focusing on and working on together, would you?

Ms. BARSHEFSKY. Sure. I think on the trade side, we need to focus on the GSP-type initiatives, including the expansion of the program along the lines, for example, that we have done with the Caribbean Basin Initiative. But then we should try and go beyond what we have done in the CBI or with the Andean Pact. So this is one broad area.

In that regard, it is very important that Congress reauthorize the GSP Program on a multiyear basis. We have had four expirations of the program in the last 4 or 5 years, and that does not give foreign companies the kind of assuredness, it doesn't give our importers the kind of assuredness, they need to create the relationships with foreign companies to bring those products into the United States.

Let me also add with respect to GSP reauthorization that we would like to see a reauthorization that goes beyond a reauthorization just for the least-developed countries in the world. There are also developing countries that continue to utilize the program whose benefits for the United States remain quite clear.

The second area that I think we need to pay attention to is the area of textiles and apparel, where I have said we need to work out a solution that balances our obligations in the WTO with the needs of both U.S. industry and the African nations. We have some ideas on how to create an extremely attractive program that would balance all of those needs. I know that the bill puts forward one idea. We have some other ideas. But the key here is working together. I think in working together, I feel confident we can devise a program that will be beneficial to all concerned.

And I think the third major area that we need to focus on—and I would defer on this to Deputy Treasury Secretary Summers—is the way in which we use our own financial resources, whether through ExIm or OPIC, and the way in which we use the resources or encourage the use of resources of the multilateral lending institutions, whether it is the fund, the Bank, the African Development Bank. And this area, this third tier, is an area that Secretary Summers will spend some time focusing on.

So I would say those are the three main areas.

Chairman CRANE. Mr. Jefferson.

Mr. JEFFERSON. Thank you, Mr. Chairman.

Ambassador Barshefsky, we have talked I don't know how many times about this issue, and I thank you for your patience and that of Mr. Lang as well.

I wanted to ask a question in two areas, unrelated really, and so I will just ask both of them and hope that it doesn't confound the situation too much.

We have talked about Africa as not just being obviously one country but a continent with many countries and many different diverse legal regimes and capacities. And the one thing that we have discussed at some length is the issue of how regionalism might improve the opportunity for trading effectiveness between Africa and the United States.

We have noted the efforts already underway in some places in Africa, in the EAC and East Africa and South Africa, and ECOWAS in West Africa, efforts to regionalize approaches to economic issues.

And so, the first question is: Has the administration a plan or policy or a direction toward implementing regional trading agreements to help overcome some of the problems that you talked with in response to Mr. Ramstad's question earlier about the issue of poverty, about the diversity between the countries and their ability to deal with free trade issues on their own bilaterally, how the regional issues might affect it, and whether you have dealt with it.

The second is in the area of textiles. I would like you to talk about what you see as the risk to U.S. textile manufacturers from the provisions in the bill, how substantial they are, or if they are insubstantial.

And the transshipment question. How would you deal with that in the context of the bill to allay some of the fears of those who raise these issues with us quite recently?

Ms. BARSHEFSKY. Let me say first with respect to regionalism, you are quite right in pointing out a number of subregional arrangements throughout Africa. And, of course, there is also the Cross-Border Initiative which attempts within Africa to coordinate among these subregional arrangements. Some of these arrangements are tariff arrangements; some of these arrangements can work toward a customs union concept. Then you have this Cross-Border Initiative which attempts to lend a coordinating hand.

Certainly, the United States applauds these kinds of regional efforts to the extent they lead to market reform, to the extent they enhance economies of scale. When you have 30 countries in Sub-Saharan Africa with a population of 10 million people or less, these are very, very small countries. And to the extent we can enhance economies of scale, to the extent we can enhance infrastructure development on a regional basis, to the extent we can support good trade and economic policies, regionalization is extremely helpful and beneficial.

In terms of the administration's program, there are a couple of things we have looked at. One is to provide assistance, particularly through AID, to promote regional efforts, including continuation of regional efforts on infrastructure, for example, as well as regional efforts among businesses within the African countries as well as among African nations and U.S. business. And there are a number of programs surrounding this notion of regionalization.

Second, one of the things that falls within the category Mr. Houghton and I were talking about on GSP, we should look at this question of cumulation for GSP. Many small countries often don't qualify for GSP benefits because there is not enough of their own domestic content in the product to qualify.

Well, if you could cumulate domestic content among a region or subregional group, you would have many more nations able then to take advantage of the GSP Program. So this is another area that we ought to be looking at to promote these kinds of regional alliances and these kinds of alliances that help to promote economies of scale. These are two examples. I think there are some other points that Larry Summers will make as we look at the international financial institutions.

On the textile side, of course, imports from Africa of textile and apparel are a small percentage of total U.S. imports overall. But if we look at particular product categories as we do in the WTO under the textiles regime, we see that the United States has lost substantial ground in certain textile categories and apparel categories relative to the range of other countries, including, for example, Kenya in the area of shirts, for example.

So we look at these issues on textiles, as we are supposed to do in the WTO Agreements, product by product, and we attempt to assess import sensitivity on that basis. In the main, I think it is fair to say that we feel confident that we can work out some appropriate program on the textile and apparel side.

With respect to transshipments, this is a very important issue. It is one, where, we ran into problems with Kenya with transshipments from Pakistan, and this caused us some concern. We do have mechanisms in place with other countries to try and cut down on illegal transshipments or fraudulent shipments. There are various systems one can put into place. This is something also we will have to look at in the case of a more liberalized program for Africa.

Chairman CRANE. Mr. Nussle.

Mr. NUSSLE. Thank you, Mr. Chairman.

Thank you, Ambassador. And I want to highlight that in your reorganization of the office, as Mr. Ramstad said, you put not only an increased awareness and heightened area to Africa but you also did that in agriculture, and I want to thank you for that, just as a side note.

You mentioned in your testimony that in the last few years more than 30 countries have instituted economic reform programs. You mentioned that the success of this can be certainly outlined in the percentage of growth from 1.4 percent in the 1991 and 1994 period; 3.4 percent from 1995 to 1996—excuse me—in 1995, and 5.6 in 1996. So this certainly is a trend in a positive direction.

The question I have is, there is some concern that has been voiced that the commitment to continued economic reforms is not as firm as maybe it needs to be, it should be, it could be. What is your opinion about that?

Obviously, to ensure success, it would be—I think we would share the belief that those reforms need to continue. As Mr. Houghton mentioned, one of the two or three things that we need to do—what are the two or three things that you would suggest need to continue in Sub-Saharan Africa in order for us to use as maybe a barometer to know that success continues, particularly in the area of economic reform?

Ms. BARSHEFSKY. When we look at the growth rates of the African countries, we see very wide disparity. In the last year, you see 5- or 6-percent growth rates for countries like Senegal and Ghana and Cote d'Ivoire, Ethiopia. The unusual case is Uganda where you see a 10-percent growth rate. That is very unusual. But for many countries, growth rates fall substantially below these levels, so we see a very spotty range throughout the continent, but certainly a number of success stories that lend positive support to the need for economic reform.

We have outlined in our testimony on the trade side the kinds of continuing reforms we would like to see these countries undertake. You have 10 or 12 countries on the continent who are not in the WTO at all. They should be. They should begin to make the commitments to allow for accession into the WTO.

We see countries in the main in Africa in the WTO whose commitments in the Uruguay round for market reform were minimal, at best. So we see, as I pointed out, very high tariff levels; we see extraordinarily high nontariff barriers, nine times those of high-growth developing countries. We need to see the tariffs come down, and we need to see the nontariff barriers come down, and that can be done in a very staged and orderly manner.

Nothing happens overnight, we understand that, but in order to continue to promote growth, particularly through trade, these barriers need to come down. High barriers of this sort are a disincentive to the ultimate export of products from these countries, and this is quite well documented.

Overall, and I think Larry Summers will talk a little bit about commitment to additional fiscal reform, commitment to other kinds of economic steps related to education, to health, and a continued commitment to good governance as opposed to bloated governance.

Chairman CRANE. Mr. Collins.

Mr. COLLINS. Thank you, Mr. Chairman.

Welcome, Ms. Barshefsky. And I just wanted to reiterate, it was a pleasure to have visited the WTO in Singapore last December in your company.

I want to refer to what the Speaker said in reference to aid tied to economic performance. After the trip to Asia in December, I had the privilege of going to the Middle East with Mr. Callahan on the Appropriations Subcommittee on Foreign Aid, where once again we heard Mr. Netanyahu speak of economic development there and hope that the aid from the United States could be lowered, not completely eliminated, based on economic growth; and he reiterated that.

We went from there to Jordan, where Jordan has just gone through an economic reform, a tax reform where they changed their tax laws to encourage investment in their nation. From there to Cairo, Egypt, where we met with many members of the Egyptian Government and we met with the American Chamber of Commerce people there, who encouraged us to speak to President Mubarak about tax reform there so that it would further encourage investment by U.S. corporations in Egypt and Cairo. It is always a great pleasure for me to ride down the street of any nation and see the corporate signs that I know are American signs.

Then too in China, in December I was in Beijing, and we were in discussions about textiles primarily. The Chinese Ambassador on Trade emphasized to us that they were going to change some of the tariffs there and they were going to increase the quotas because, due to economic development in China, there were people who did have the wherewithal to buy more U.S.-made product. Additionally, because of the good work of you and Rita Hayes later on after our trip in February, you were able to strike an agreement with them that will increase our presence there.

As I look at the import-export sheet from the Sub-Saharan area of Africa, I see that we have a trade deficit there. I know that in your statement you say that there has been an increase in economic growth there, and that is very encouraging. But I want to turn to the United States and the need for, you know—let's look at our own backyard.

Oftentimes actions speak louder than words, and I think we need to look at economic reform here. We have a strong economy. I say strong; it is moderate. But I think that we need to look at our own economic situation where we have excessive taxation, we have a very costly set of regulations pertaining to manufacturing. And too, we have a high cost of litigation in this country. All of these things go into the cost of manufacturing, which I think also makes it prohibitive for some of these developing nations to even afford our product.

A lot of that is due to the fact that we have a budget that is in deficit spending each day, even though it has come down, thank goodness. But we have an accrued debt that is calling for almost $1 billion a day in interest payments.

So I think as we parallel the work of trying to encourage development and trade in other parts of the world, and particularly in Africa, we need to look at our own situation here as far as our reforms. So I would encourage you to encourage the President, as we put together the policy or the bill that would encourage trade with Africa, that we encourage and make changes here.

I want to read the statement of the following section 3 of this bill that says,

> Congress supports economic self-reliance for Sub-Saharan African countries, particularly those committed to economic and political reform, market incentives and private sector growth, the eradication of poverty, and the importance of women to economic growth and development.

I think you could say that about many cities and rural areas of the United States. So I would encourage you to help work toward creating our own economic package as we also encourage economic growth in other countries so that we would be able to export products that would be more reasonable for those people to be able to purchase.

Thank you, Mr. Chairman.

Chairman CRANE. Mr. Levin.

Mr. LEVIN. Thank you, Mr. Chairman. And as a Member of the Full Committee, I appreciate the chance to participate in this important hearing.

Welcome.

As vital as fast track is, I will resist the temptation to ask you about it. I just want to say I think a key to developing any consensus is for us, with the administration, to face the basic underlying issues, and I hope the Subcommittee and the Full Committee will do so.

Let me just say a word because the interrelationship between aid and trade has come up here, both with the Speaker and now with you. And I think back to my days for just a second when I was assistant administrator for the Foreign Aid Agency in the late seventies and early eighties, and this was then a major issue.

And I just want to express my hope from the experience of those years—and I don't think we resolved the problems very well—that you will continue, and the entire administration will continue, to look at this interrelationship and the interaction and really, as the Speaker suggested, and others have, that it is not an either/or proposition, because I think as we refer, for example, to East Asian countries, we look at the evolution, really the revolution, in infrastructure in those countries, often with U.S. assistance. I don't think our rich trade relationships would have occurred unless there had been in place some infrastructure.

And I think that is clearly relevant to Africa's further development, that we remember the importance of infrastructure, of roads, of electricity, of other infrastructure, and also the importance of good health.

So while your focus is on trade, appropriately, I hope, and Larry Summers, who is here—Secretary Summers—and others will continue to work on these interrelationship issues, because if we fail to do that, I am afraid that everybody is going to be back at ground zero.

And I just finish; I remember the endless and, I think, often useless discussions we had back 20 years ago about whether electricity and roads are important in terms of the development of a country. And I think we learned that there has to be a well-rounded, comprehensive approach. And I just wanted to add my words to those who have spoken earlier to hope the administration will continue to approach these in a comprehensive way rather than an either/or approach.

Ms. BARSHEFSKY. If I might say, I think your comments are very well taken. The idea behind the administration's proposal, and I think the idea behind the Committee's bill, is to use assistance, technical and financial, to drive market reforms so that we have—we create, through aid, not a system of dependency but a system of economic growth and prosperity that, over time, becomes self-sustaining. Certainly part of that is infrastructure development.

What is very interesting to me is how our notion of infrastructure has changed over the years. I can remember even 30 years ago notions of infrastructure hinging on things like the need to build steelmaking facilities, and now you see reports that come out talking about the key element of infrastructure as telecommunications.

We know, for example, in Africa, phone density is the lowest in the world. It is something on the order of 4 to 100 people—less actually than 4 to 100. And as we foster economic prosperity, as we provide aid and technical assistance to drive market reforms, so too we have to be smart and Africa has to be smart about where those reforms are needed most and in what order, and infrastructure will be absolutely critical.

Mr. LEVIN. Thank you.

Chairman CRANE. Mr. Watkins.

Mr. WATKINS. Thank you, Mr. Chairman.

I have been listening with great interest, Madam Ambassador, to the testimony, and I salute you for your leadership and also the Committee for this discussion.

I think it would behoove us to follow something the Speaker suggested in trying to bring in private sector business and industry, maybe in this Committee and other activities. I know in Oklahoma we have some interest expressed from the standpoint of some energy companies. I think it is one of Africa's largest imports as they look at developing, also in the agriculture segment. I think the type of a suggested conference by the Speaker should include agriculture and energy, because our natural resource development, their natural resource development, is very important. So I think that suggestion is a very, very key one.

I do have, I want you to know, a broader interest than just the that are in Europe on beef not being exported to those countries, so I know you hear from my office a lot about that beef hormone ban, and I hope you will make sure that is on top, or maybe someone from your office can contact me later today or tomorrow on that subject.

But I want to follow up with my friend, Mr. Collins here and my friend Jack Kemp, and I don't know where my friend Charlie Rangel has gone. As I evaluate some of the things that are being proposed in working with African countries here, and they do have a tremendous infrastructure need and economic need. However I want to emphasize that a lot of the rural areas of this Nation have not recovered from the Great Depression. Some of the rural areas are needing, and I know my friend Jack Kemp and I worked on, enterprise zones and tried to get some of them set aside.

I have been kind of reflecting, Mr. Chairman, on how and why we could not work with some incentives or companies and industries that locate in those enterprise zones. We should provide relief to these communities in trying to get products into some of these particular countries that need that kind of help and assistance.

I mean, I think it can be a two-way opportunity to develop and help solve some of the problems I know Mr. Collins and I have on how we solve the economic problems in the low economic areas; in fact, infrastructure in areas that still do not have running water in this country.

But I think maybe there are opportunities in Africa, and I commend you. As we look at it in this Committee, Mr. Chairman, for bringing this attention to African countries, because I think there are opportunities in both areas of the world. I just wanted to thank you for that and thank the Chairman for letting me come down and make a remark, too.

Ms. BARSHEFSKY. If I might just comment, I know Mr. Collins pointed out that we have a trade deficit with Sub-Saharan Africa, and that is absolutely right. That is occasioned largely based on petroleum imports, particularly crude oil. But for that, we would actually be in surplus with Sub-Saharan Africa.

Certainly most of the inward direct investment that goes into the region goes into petroleum production. As you know, Sub-Saharan Africa attracts relatively little of the world's full and direct investment; about 2 or 3 percent. Asia attracts about 61 percent. So this shows the magnitude of the difference. And most of that investment is concentrated in the energy sector.

So one of the goals, certainly, of the administration's program, and I think of the Committee's bill, is to encourage companies to diversify that investment portfolio to go beyond the hydrocarbon sector.

Mr. WATKINS. Thank you. Thank you, Mr. Chairman.

Chairman CRANE. Well, we want to thank you profoundly, Madam Ambassador, for your testimony, and we look forward to working closely with you and your staff on this and future issues. And with that, you may now be politely excused.

Chairman CRANE. Our next witness will be Hon. Larry Summers, Deputy Secretary for International Affairs at the Department of the Treasury. And I would like to invite Ambassador Jeff Lang, Deputy U.S. Trade Representative, and George Moose to join Mr. Summers and be available for any questions the Members may have for the three of you.

Mr. Summers, you may proceed with your testimony, please.

And will Members in the room please try and hold down their conversations. Thank you.

STATEMENT OF HON. LAWRENCE H. SUMMERS, DEPUTY SECRETARY, U.S. DEPARTMENT OF THE TREASURY; ACCOMPANIED BY HON. JEFFREY M. LANG, DEPUTY U.S. TRADE REPRESENTATIVE; OFFICE OF THE U.S. TRADE REPRESENTATIVE, AND HON. GEORGE E. MOOSE, ASSISTANT SECRETARY, AFRICAN AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. SUMMERS. Mr. Chairman, thank you very much. I welcome the opportunity to appear before this Committee.

Ambassador Barshefsky laid out our initiative in some detail, so while I have submitted a longer statement for the record, I will be very brief.

Let me just say this: I think we have an opportunity here to usher in what might be called the post-post-colonial era in Africa, an era of strong United States cooperation with Africa anchored in strong bipartisan support in our country.

We have tried with many past initiatives directed at supporting Africa, but I believe a consensus has now formed on a number of important principles, some of which were expressed by Speaker Gingrich in his very eloquent testimony this morning.

First, markets are the most powerful force for tapping entrepreneurial energy and stimulating growth that mankind has yet found. Development assistance has a role, but it will be effective only where the framework is right and people have the opportunities afforded by open competitive markets.

Second, the most important and enduring investment that any country can make is in its people. Investments in people have to be a central responsibility of government, and effective governance is central for economic growth and prosperity.

Third, government officials must use the instruments of government with a sense of public stewardship and accountability. As a consensus forms on these ideas in Africa and we have an opportunity to support that consensus, I believe, with the leadership of Congressman Crane, Congressman Rangel, Congressman McDermott, there is a real opportunity to make a major difference.

To be sure, in large parts of Africa today a child is more likely to die before the age of 5 than to go to secondary school and a child is more likely to be malnourished than to learn to read. But there are encouraging signs. More than 25 countries have had democratic elections since 1990, and in a number of countries growth rates exceed 6 percent.

Ethiopia, one of the poorest countries in world, has as rapid a growth rate as any country in the world, 12.5 percent in 1995. These are the kinds of successes we want to reinforce.

Ambassador Barshefsky has spoken about the importance of trade and some of the specific modalities associated with our trade reform. Let me just highlight several other pieces.

First, we have worked with the international financial institutions to reinforce their strategy of response, a strategy based on conditional financing, where finance can be effective to support trade liberalization, investment, good governance, particular emphasis on increasing the role of the private sector and investments in human resources.

Second, we have worked with the international financial institutions and our own budgetary process on debt relief. Where debt overhang makes private investment an impossibility, it is essential that debt relief be provided.

With American leadership, the G–7 last year reached a historic step in agreeing that the World Bank and the IMF should provide deep debt relief under the Heavily Indebted Poor Countries Initiative. Uganda has in recent weeks been the first beneficiary of that important initiative.

Third, we will work to review our own programs related to bilateral development assistance, investment, and trade promotion. OPIC expects to launch a $150 million equity fund for Africa and work on developing another $500 million fund focused on infrastructure. The ExImBank and the USDA and Commodity Assistance Programs will also be increasingly focused on the strongest performers in Africa.

Finally, to give special attention to the African countries that are taking bold reforms and to exchange views on what is working well and what is not, the administration has proposed annual Cabinet level meetings with strong performing countries.

Mr. Chairman, I believe that these steps and continued American leadership can make a real difference, but ultimately what is going to determine the prosperity of Africa is the choice that the African people make and the choices that their governments make. But I believe that we in the United States can position ourselves as major forces supporting positive change in Africa and, in that way, can make a historic difference.

So I commend you on the initiative behind this hearing, which I think has the potential to start a process that will make an enormous difference over time.

Thank you very much.

[The prepared statement follows:]

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April 29, 1997

TREASURY DEPUTY SECRETARY LAWRENCE H. SUMMERS
HOUSE WAYS AND MEANS SUBCOMMITTEE ON TRADE

It is a pleasure to testify before you today on the proposed "Partnership for Economic Growth and Opportunity in Africa."

I will focus my remarks today on three points:

- First, on the changes that are taking place in Sub-Saharan Africa, changes which present us, and Africans, with an opportunity that we should seize.
- Second, on some lessons from the development record in order to illustrate how those lessons have informed our proposal.
- Third, on the specific contents of our proposal.

Before going further, though, I would like to note that the proposal I will discuss with you cannot really be considered solely the Administration's proposal. It is a compendium of the ideas that have emerged in this Congress--in your Committee--as well as from Africa itself. Our thinking has benefitted very much from the spirit of cooperation and bipartisanship that has characterized this entire initiative. I would like to express my appreciation to you and the Committee for engendering that spirit, for taking the initiative to prepare legislation on Africa, and for giving us the opportunity to work together on it. We look forward to continuing that work.

Mr. Chairman, the challenges facing Africa are many, but so are the opportunities. Our goal should be to throw our collective weight against those challenges, and push in the same direction. In so doing, we will be helping the United States as we are helping Africa. In addition to the moral imperatives of such assistance, it is in America's commercial and security interest to support stronger trade and investment ties with Africa.

Currently, those ties are not nearly as strong as they could be, especially from the U.S. perspective. U.S. trade with Africa represents about 1 percent of total U.S. trade, while U.S. investment in Africa represents slightly less than 1 percent of total U.S. direct investment abroad. Yet when one considers the vital role that America's commercial relations with developing countries play in our own economic well-being--approximately 40 percent of American exports now go to developing countries--and the fact that Sub-Saharan Africa is still a largely untapped market of 600 to 700 million people, it leaves one with a sense of tremendous opportunity and potential.

The key to unlocking that potential, as the legislation before us appropriately underlines, is to help Africa make the transition to commercial vitality and growth. A growing Africa offers marketing and supply opportunities for U.S. investors and traders, and helps lift Africa out of conditions which foster poverty, political conflict, contagious disease and environmental degradation.

I. Africa: Change and Opportunity

Unfortunately, many Americans still have a rather one-dimensional view of Africa. That view is shaped to a great extent by media focus on the latest civil or biological disaster to strike the region. Such disasters are sobering reminders of how badly things can go in circumstances of economic and political despair, but they are not the whole story. The story that is less well known is this:

-- Since 1990, approximately 25 African nations have held free and fair elections. Over time, this political evolution should also pay economic dividends as some of the most important, productive and heretofore ignored parts of African society--women, poor rural populations--exercise a greater influence over policies that affect them.

-- A growing number of countries are undertaking market reforms, and are beginning to reap the benefits of their efforts. Senegal, Ghana and Cote d'Ivoire, to name a few, are seeing annual growth rates in the range of 5 to 6 percent. Uganda grew by 10 percent in 1995, and Ethiopia by an estimated 12.5 percent in 1996.

These nascent success stories show that democracy and economic reform can take root and grow in Sub-Saharan Africa. Those roots are still establishing themselves, however, and continued growth is far from certain. The question is, how can we help the countries that have recently taken off to continue their upward climb, and show the way to others?

II. Lessons on Development

There are few eternal truths, but the development record around the world, including in Africa, suggests several lessons which have guided our thinking, and which we should continue to bear in mind as we move forward.

1. Sound macroeconomic policies are prerequisites to progress.

Large government budget deficits absorb domestic saving and foreign funds that could otherwise be channeled to the private sector. Inflation and overvalued exchange rates stifle exports, damage domestic producers, and create pressures for protectionism. Overvaluation also leads to the rationing of foreign exchange, which historically has meant that those in government and their friends skim off large rents.

2. Open economies work better than closed economies.

The experience of the past thirty years, as well as recent economic research, show that internationally integrated, outward-looking economies perform far better than closed economies. Despite some progress, Sub-Saharan African economies are still among the world's most closed to trade.

- o Import tariffs in SSA average 26.8 percent, about three times higher than those of the fastest-growing exporters in the developing world.

- o Over one-third of all African imports encounter some form of non-tariff barrier restriction, which is almost nine times higher than the corresponding average for fast-growing LDC exporters and thirteen times greater than high-income non-OECD countries.

Such trade protectionism erodes the competitive position of Africa's exports, and costs the region an average of $11 billion per year in annual trade losses -- about the same as total aid to Africa in 1991.

The picture regarding foreign direct investment is not brighter. While a number of African countries have taken steps to open their investment regimes, the region is still characterized by investment climates which are relatively closed or otherwise unattractive to investors. A result is that foreign direct investment generally passes Africa by. In 1990, net FDI in Sub-Saharan Africa represented only 4 percent of net FDI in developing countries. By 1996, this figure had dropped to 2.7 percent.

3. Development assistance is vitally important but cannot overcome flawed policies.

Foreign aid is helping Africa and making a difference. USAID programs to support democracy, to promote sound economies, and to relieve poverty are fully consistent with the objectives we are discussing today. But for aid to achieve its real objective--to be no longer necessary--it must be accompanied by appropriate economic policies. We can help African governments to strengthen their capacity to make good policy choices and to carry through with them. But they must be committed to creating an appropriate policy environment, and must demonstrate their commitment through actions. This is their essential contribution to our Partnership.

4. The most enduring investment a country can make is in its people.

Numerous studies highlight the importance of and high rate of return on investments in people. Unfortunately, not enough African governments have invested adequately or wisely in people. This neglect hits the very people with whom Africa's future lies, and tends to hit hardest the most vulnerable: women, children, and poor rural populations.

This is partly a problem of spending priorities--some African governments spend more on the military than on health and education combined--but as important is the quality of spending.

When governments do invest in education and health, all too often expenditures are focused on urban hospitals and universities rather than on relatively neglected primary health care programs and elementary schools. There also needs to be greater focus on spending results--improvements in life expectancy and literacy rates--and less emphasis on simply spending.

5. Government officials must use the instruments of government with a sense of public stewardship and accountability.

It is difficult to define "good governance," or to identify specific data on the incidence of poor governance. But the effects of mis-using the instruments of government are powerful and can overwhelm progress made over many years and on many fronts. The Administration's approach in this very difficult area is two-fold:

First, to encourage the streamlining of government, and the elimination of government activities, structures and regulations that lend themselves to discretionary application, such as investment approval boards and import licensing requirements. The goal is to reduce the opportunities for government corruption.

Second, to provide technical assistance to raise the level of professionalism and technical expertise of government officials in key economic institutions.

III. The Proposal

Bearing in mind the opportunities presented by recent changes in Africa, the lessons of Africa's development record, and the possibilities at our disposal to help accelerate Africa's transition to economic vitality, we suggest an approach with four main components:

1. Trade, about which the U.S. Trade Representative has spoken;

2. Financing and debt relief, on which I will focus my remarks;

3. The enhancement of existing U.S. programs related to development aid, investment and trade promotion, and commodity assistance; and

4. Enhanced dialogue with African countries.

Financing and Debt Relief. The Administration has looked carefully at the need for well-targeted, appropriate financial assistance and debt relief. The need for financing--both budget and balance-of-payments support--and debt relief would be acute for countries pursuing aggressive trade liberalization and trying to maintain, or even increase, useful investments in health, education and infrastructure development. The budgets of many African countries are both heavily burdened by debt service and highly dependent on revenues from trade taxes. Typically 40 to 50 percent of total budget revenues come from trade taxes. We want to see to it that aggressively liberalizing countries have enough breathing space to carry through with a comprehensive program of trade liberalization and tax reforms. It would be unfortunate if concerns about short-term revenues deterred countries from undertaking such a program which, if maintained, should generate additional revenues within a politically meaningful period of time (several years). Accordingly, our proposal would provide for:

- o Debt reduction. In this regard, the Administration would: (1) support an approach that leads to the extinction of concessional bilateral debt for poorest countries that are undertaking bold reforms; and (2) urge the World Bank and IMF to provide maximum relief under the Heavily Indebted Poor Countries (HIPC) debt initiative for HIPC-eligible countries.

- o Enhanced financial support through the International Financial Institutions. Secretary Rubin has written on behalf of G-7 Finance Ministers to the Managing Director of the IMF and the President of the World Bank to seek their support. Mr. Camdessus and Mr. Wolfensohn have responded, and their response is extremely encouraging. They confirmed for us just last week that both institutions are now working on a "reinforced strategy" to spur growth in Africa through support for trade liberalization, investment, good governance, increasing the role of the private sector, and investment in human resources. Their specific contributions would include, for example:

  -- Enhanced financing under ESAF and IDA policy-based loans to support countries where bold structural reforms, such as trade sector liberalization, result in greater financing requirements;

  -- Financing for improvements to infrastructure related to trade and business development, such as improvements to ports, railways, roads, and storage facilities.

  -- Enhanced support for primary school education (especially for girls) and health.

  -- Intensive training to develop African capacity in the areas of macroeconomic policy and management, and statistics.

  The response of the IMF and the World Bank underscores the vital role that the international financial institutions play in our efforts to develop a meaningful program of reform and assistance in Africa. We are looking to them to provide, through IDA and ESAF programs, the financing to support trade liberalization and a host of other vital reforms in African countries. Their support for HIPC debt reduction will allow strong reformers to direct a greater share of budget resources from debt servicing to primary education. The point has been made in Congress before on other occasions but bears repeating: The United States must meet its financial obligations to the institutions that we have asked to join us in this extraordinary effort to help Africa.

- o Enhancement of existing U.S. programs. The Administration's proposal includes a number of initiatives to enhance U.S. support of Africa through: the U.S. Agency for International Development; the Overseas Private Investment Corporation, which will launch a $150 million equity fund and work on developing another $500 million fund focused on infrastructure; the EximBank; the Trade and Development Agency; and U.S. commodity assistance programs. These are critical components of the initiative.

- o Enhanced dialogue. To give special, high-level attention to the African countries that are taking bold reforms, and to exchange views about what is working well and what is not, the Administration has proposed to hold annual cabinet-level meetings with strong performing countries. This kind of high-level dialogue, complemented by ongoing discussions at the technical level, will help ensure that the Partnership is working well.

In conclusion, Mr. Chairman, I would like to emphasize that the Administration is committed to working with you, with African countries, and with other partners of Africa. On this last point, the Administration will be talking with other countries that will be participating in the Denver Summit in June. Africa will be a major issue at the Summit, and we hope that our Summit partners will take actions that complement those we will be undertaking in support of economic growth and opportunity in Africa.

Chairman CRANE. Thank you, Mr. Summers.

Sub-Saharan African countries have been asked to undertake a lot of reforms by the World Bank and the IMF and other bilateral and multilateral lenders, and it seems important to me that we all work toward the same goal with respect to the region. How would the trade and investment initiative put forward in our bill, H.R. 1432, fit into this process?

Mr. SUMMERS. I think the trade investment initiative would be very much supportive of what we are trying to encourage the international financial institutions to do. Your bill would recognize the importance of trade liberalization in Africa, and that is an important part of the international institutions' objective in Africa, something that I expect will be a more important part in the future.

In many cases, the motivation behind protection in Africa is financial. Countries rely on tariffs to finance their budgets. Without being able to get any other source of finance, they have no choice but to rely on those high tariffs.

What is needed in the situation like that is tax reform to tax at lower rates on a much broader base, and what is needed is finance to make possible that transition. And that is precisely what the IMF is seeking to achieve under its ESAF and where it is going to be able to, we hope, expand its efforts for those countries that are reforming most strongly.

Similar initiatives under the label of structural adjustment are an important part of what the World Bank is doing in Africa. Similarly, other kinds of transitions require transitional assistance. In many cases, large state enterprises need to be privatized. But to make that privatization effective, it is necessary to have the capacity to pay severance pay or it won't be politically possible to make that privatization.

Here, too, transitional assistance can make a crucial difference. But the crucial point in providing assistance is that it has to be assistance that is transitional, it has to be assistance that is based on the principle of fostering self-reliance on market institutions to do market things.

And there is, of course, a core need, which I think is parallel to but different from the things emphasized in your initiative, of providing support for the kinds of things that only governments can do: Making sure that children are immunized against disease, making sure that girls as well as boys have an opportunity to go to primary school. And this, too, will be a focus of our bilateral assistance efforts, and particularly a focus of expanded international financial institution efforts.

And finally, the debt relief—if I can make one more point—the debt relief piece we hope will be a spur to private investment.

Chairman CRANE. Thank you.

Mr. Rangel.

Mr. RANGEL. Thank you.

Thank you, Mr. Secretary. Please share with the President how proud we are of the leadership that he is providing in letting European countries, especially France, know that we are not cutting and running away from competition in the great continent of Africa. Indeed, we hope to work with them cooperatively to make certain that we can have Africa emerge as an economic trading partner with the entire world.

Some of my colleagues are concerned as to, where is the money? What is in it for us? Our communities are suffering, the same type of things that we see in Africa. And it is true that the same things that are needed in the developing countries are needed in development communities right within the United States, and what are we talking about? Investment, education, job training.

And as we hope to have peace and prosperity in other parts of the world, we hope to eliminate the need of dependency on drugs, of unwanted children, and violence and prisons instead of universities, we have to turn that around here as well. And it could very well be that the President could tie in to have our investors than we have to invest on both sides of the landing.

But how does the President respond to those questions in terms of what could best be described as development communities that suffer the same type of social and economic ills as our friends in Africa?

Mr. SUMMERS. Congressman, let me respond, if I could, at two levels. First, I think it is important to underscore that this is not a traditional foreign aid program. The program that we have outlined here does not involve new appropriations from the U.S. budget at a time when we have serious problems at home.

Second, I think you are right and a number of the other Congressmen who made the very, very important point that we have crucial economic development problems here in the United States. And as I think you know, my boss, Secretary Rubin, has taken a particular interest in problems of depressed urban areas, although there are particularly serious problems in many depressed rural areas as well.

The President and the Congress, working together, have made progress on the agreement on enterprise zones, and we are at the second stage in that process. And I think that is an initiative that is trying to make a difference.

There are two other things that we are working on in the Treasury Department that I would want to highlight. One is community development financial institutions which will make possible the kind of microlending to small businesses on the Grameen type model that Speaker Gingrich emphasized in his testimony today.

We hope that that initiative, which is for rural as well as urban areas, will be fully funded in this year's budget process. The stories really are inspiring, of a day care center that was funded and got somebody off welfare and is helping a number of homeless kids. There are many, many of those kinds of stories.

The other, if I might make an advertisement for something in the President's budget that I would highlight, is the brownfields tax credit, which is directed at situations where, by providing small amounts of catalytic money, we can promote significant environmental cleanup and at the same time bring business to areas in cities, areas also in rural areas where otherwise land would sit fallow and sit somewhat dangerously. But there is a lot more we have to do to develop every region in this country.

Mr. RANGEL. The most hopeful thing that I find in the President's budget is its commitment to widespread education and access to that education for all. I can tell you, as we renew the negotiations, respecting the fact that it has to be bipartisan, to many of us, to detract from that commitment would lose a lot of the bipartisan impact that we hope that we can conclude these negotiations with.

Thank you so much, Mr. Chairman.

Mr. THOMAS [presiding]. The gentleman from Minnesota, Mr. Ramstad.

Mr. RAMSTAD. Thank you, Mr. Chairman.

We have talked a great deal today about how we can improve the economy and standard of living for many people in Sub-Saharan African nations through the various trade initiatives. We also know there is a strong correlation between economic and political stability.

A number of us have been watching the elections in Africa with a great deal of interest for a number of years, and I know, for example, in Liberia, a country with which we had over $40 million in trade last year, they are making great strides. They are holding free and open elections very soon, I think in a matter of weeks.

What, Mr. Secretary, can we do to encourage these countries to adopt democratic reforms to assist them in that effort and also to make the necessary market-based reforms that go with the emerging democratic reforms?

Mr. SUMMERS. I think that Ambassador Moose may want to comment in more detail on the democracy-building aspects but I think the most important thing we can do is work to create successful examples, because successful examples are followed.

And by working to reinforce examples of successful reform, as I think we have by providing a historic degree of debt relief to Africa, to Uganda, working to provide debt relief in other instances, assuring open markets to those who open markets to us, by producing those examples, and the more examples that can be pointed to, the more the recognition of what works will spread, and the greater the evolution will be in the direction we prefer.

Mr. RAMSTAD. I certainly appreciate your response and the renewed emphasis on the African nations, not only the economic stability and development, but also the political stability as well. I appreciate what I have learned from my two mentors on this subject; namely, the two gentlemen from New York, the Ranking Member, Mr. Rangel, and Secretary Kemp, who have taught me a lot on this important subject.

I also appreciate the win-win proposition that today's hearing represents in looking at increased bilateral relations with Sub-Saharan African nations.

Thank you, Mr. Secretary.

Mr. THOMAS. Does the gentleman from Washington, Mr. McDermott, wish to inquire?

Mr. MCDERMOTT. Mr. Summers, I think it ought to be pointed out that this is pretty unique, that we have four departments of the executive branch all here working together, and we are very pleased that you have worked together on putting this initiative forward on the executive branch side.

I want to ask a question or two. When I first started looking at this issue, one of the things that struck me was the problem of debt or the debt overhang in most of these countries, and I would like you to talk a little bit about the whole question of debt relief and how, from the Treasury point of view, how you see it moving.

And then second, if you could talk a little bit about the G–7 summit and how that may be a part of this whole process, because I think, clearly, there are some trade issues but there are also some financial issues that are intimately involved in what happens here. It is not simply a trade issue, it is really a financial question: Where you get capital; how you get it in; and how the international markets, both public and private, operate in this area.

If you could talk a little bit about debt relief, I would appreciate it.

Mr. SUMMERS. In thinking about international debt, it is helpful to think about the analogy with private debt in our economy. On the one hand, it is very important that debt contracts be taken seriously and the obligation to repay be a clear obligation, because without that, people will be very reluctant to lend for fear that their debt will be repudiated. So it is very important that we stand for the idea that people should pay their debts.

But that recognition has to be tempered with the recognition, as it is in the private context in the United States, that there are occasions on which people can't pay their debts, and when people can't pay their debts, it is important that those debts be written down and discharged, because if those debts are not written down and discharged, they act as a deterrent to any future progress, because there is the knowledge that if any prosperity is created, it is not going to benefit the country, it is not going to benefit the person who created the prosperity, it is simply going to go to pay off debt.

So the approach that the international community has moved to over time, with substantial leadership from the United States, particularly in the last 2 or 3 years, but also with a very energetic presence of the government of the United Kingdom, has been an approach based on the principle of debt reduction, where debt burdens are prohibitive and where strong economic policies are being followed.

That approach was, frankly, not fully adequate, and it was not fully adequate because it embraced only some debts, debts from export-import banks, for example, but not debts to the international financial institutions, the World Bank and the IMF.

So what was a historic, I think, breakthrough on this issue came at last year's Lyons summit when it was agreed that in certain circumstances the World Bank and the IMF would relieve their debt for strong performers. And it is that treatment that has recently been agreed for Uganda and is potentially in train for a number of the other poorest countries in the world.

We have made a further agreement in this package to propose that we would forgive entirely U.S. foreign assistance debt for some of the most indebted countries. Frankly, that debt is valued at far less dollar for dollar, so it is good economics for us to do that.

We will have to see how the process proceeds at the G–7 level. I think at this point our challenge is implementing the debt reduction. I think where we still have some thinking to do and where I expect there will be energetic dialog with the international financial institutions is on the modes of their assistance and how their assistance is channeled as effectively as it possibly can be in reinforcing reforms, and particularly the challenge of encouraging private sector investment in Africa.

Mr. MCDERMOTT. I think as a Committee we look forward to following this process as you go to Denver, because I think it remains as one of those issues that we have no—in the Congress have no ability, or it is difficult for us to deal with, and I think we look to your leadership, and I hope that you are successful.

Mr. SUMMERS. If I may, Mr. Chairman, Congressman, my presence here as a Treasury official reflects the recognition that this is an important economic issue for the United States in general, but also the recognition that financial questions relating to debt relief and relating to what the international financial institutions do are really central to the outcome.

Mr. MCDERMOTT. Thank you, Mr. Chairman.

Mr. THOMAS. Thank you.

There are no further questions from our side of the aisle. I believe the gentleman from Louisiana wishes to inquire.

Mr. JEFFERSON. Thank you, Mr. Chairman.

I think you answered the question about debt relief as thoroughly as I would desire. I wanted to ask what you meant about and what steps would be taken to support the approach of the World Bank and IMF and others involved in debt relief efforts now, but I will defer that for the moment. I suppose I will accept the answer you gave to Mr. McDermott and find another forum to pursue it if I need to.

But on the side of financing, the bill talks about OPIC funds and some new emphasis in the Export-Import OPIC Board, and I suppose the administration is supporting these ideas. How critical are these financing approaches, and how much more expansive do you think we can get in supporting these areas?

There are no private sector equity infrastructure funds in Africa, period, and there are very small private sector equity enterprise funds in Africa, and most of the investments there are in stock exchanges. So this is a very critical area if you are going to talk about relying on the private sector to drive economic interest and drive recovery, that there be some new emphasis placed on financing issues for private sector development and for infrastructure development, and I am very pleased to see the administration's support here, but I think we are going to have to look very strongly on ways we can help to leverage this even more.

Mr. SUMMERS. I think that is right, Congressman. I think that in many ways what will be crucial will be the number of bankable projects. I think at this point, the problem is probably less finding more money that is willing to go into Africa than it is finding projects that are bankable and are attractive.

But certainly OPIC is going to energize its efforts in this area, and certainly the international financial institutions, I think in the years ahead, are going to be taking a very different approach to Africa than they have in the years past.

In the years past, there were a lot of loans to state enterprises and to large government bureaucracies, and the focus much more in the future is going to be on transition to market-oriented economic policies and to particular grassroots interaction, support of the private sector, and to convening groups within these countries to discuss how we can improve their business climate and make themselves more attractive to private capital.

So if we are able to support those institutions in the years ahead, they will be working on what I think is the central priority, which is making sure there are bankable, attractive projects in Africa.

Mr. THOMAS. I want to thank the panel very much and ask the next panel to come forward. It is my pleasure to introduce Hon. Jack Kemp, the codirector for Empower America and, as we know, former Secretary of Housing and Urban Development and a former Member of this body; and Hon. David M. Dinkins, who is currently the chairman for the Constituency for Africa but the former mayor of New York.

Chairman CRANE. I want to express my appreciation to Mayor Dinkins and Jack Kemp, esteemed former colleague from here in the House, for being here today to testify on behalf of our bill, and I would like to yield for a welcoming statement to our distinguished Ranking Member, Charlie Rangel.

Mr. RANGEL. Thank you.

First let me thank Jack Kemp for his interest in international affairs that did not stop because of the public office which he held, I also note with some interest the administration's response to some of the domestic problems we are having in our inner cities and rural areas, and it is the empowerment zone, the enterprise zone, and the things that you fought so long for here in this Congress which basically show that if we can get this trade thing off the ground with the same principles that we are talking about, getting people's hopes and dreams off the ground, yes, it is going to take investment, and we have to encourage that no matter what we have to do with the tax system.

But we should also be able to do the same thing that Mayor Dinkins tried so desperately hard, and that is to get investment in the people so that they would be able to change those dreams into reality.

So whether we go to the mountains and hills of Africa or whether we go to the side streets of Harlem and the South Bronx, the concept that both of you have is consistent with competition and investment, trade, jobs, hopes, and dreams. That is what has made our country so great. And I just hope that you continue, both of you, the fact that you are not directly involved with public office, that you keep those dreams alive.

I want to thank both of you for spending such a large part of your day down here, since now your days mean dollars to you, and I guess you just have to stick it out with us.

Thank you, Mr. Chairman.

Chairman CRANE. You are more than welcome.

With that, we will start with Mr. Kemp and then Mayor Dinkins.

STATEMENT OF HON. JACK KEMP, CODIRECTOR, EMPOWER AMERICA, AND COCHAIRMAN, ALEXIS DE TOCQUEVILLE INSTITUTION; FORMER SECRETARY OF HOUSING AND URBAN DEVELOPMENT, AND FORMER MEMBER OF CONGRESS

Mr. KEMP. I look forward to not only being before this distinguished Committee, Mr. Chairman, but also at a press conference with my friend David Dinkins, but you of this Committee, your leadership, and Charlie Rangel, Members of the Committee, so I am going to be mercifully brief. I know that is an oxymoron for Jack Kemp. But I would like to have my testimony submitted for the record and just make a few points about what I think we can do together to enhance our country's image in the Third World and particularly in Sub-Saharan Africa.

This is an exciting time, Mr. Chairman. I don't need to tell you. I thank Charlie Rangel for his comments, tell David Dinkins how proud I am to sit on his left, to come together in a bipartisan way on behalf of an issue which, as Mr. Ramstad pointed out earlier, is win-win. This is not a zero sum world, and I believe that our relationship with Africa is an incredible opportunity to show that this country understands that as the cold war is over, as you pointed out, Charlie, we now have an opportunity perhaps to build truly a democratic world, and I look forward to participating in that.

Second, and parenthetically, what an amazing morning to sit here and listen to Newt Gingrich, Charlene Barshefsky, Larry Summers, David Dinkins, Jack Kemp, all the Members of the Committee, our friend Percy Sutton, to have behind us the distinguished Ambassadors from the continent of Africa, and to think that we have, as we sit here today, an opportunity to repeat the lesson of history, which is that 50 years ago there was a Marshall aid plan that helped rebuild the continent of Europe. This is the 50th anniversary of the Truman Doctrine; it is the 50th anniversary of Mr. Truman's words which I would like to share with the Committee.

Harry Truman, in 1947, announcing the Truman Doctrines said before a joint session of Congress that the seeds of oppressive regimes are nurtured by misery and want. They spread and grow in the evil soil of poverty and strife. They reach their full growth when the hope of people for a better life has died.

You have within your grasp a chance to provide new hope for the people of what we call the Third World, certainly in Latin America, Asia, and particularly today on the continent of Africa, and I real profoundly thank you, Phil Crane, Mr. Chairman, you, Charlie, Mr. Jefferson, and all the Members of this Committee on both sides of the aisle for bringing this bill before the attention of Congress and a chance for me to say I think we need a new Marshall plan. This, to me, is what Harry Truman and General Marshall in a bipartisan conference did 50 years ago.

I see Mr. McDermott coming back to the dais. He talked about APEC, think of the attention we have paid to APEC, and wisely so. The Asia Pacific Economic Community is what you have alluded to from your home base of Seattle, a terrific opportunity for the Pacific rim. But this is a global economy, capital and goods spread across borders instantaneously, and I would just say we have within our grasp the chance of providing a new golden age of democracy.

My light is going on. I would like to make one more point. I was in the Los Angeles airport coming back from L.A. last week, Mr. Chairman, and I walked by the duty-free shop. And it was interesting to me: Very handsomely dressed men and women in the duty-free shop, in Giorgio Armani clothes, buying Calvin Klein and liquor and Ralph Lauren, and you could tell it was very upscale consumers. And it was interesting to walk by, not being an international traveler that day, that I kind of identified with the folks who could not go into duty-free.

Have you ever thought about the fact, that why it is that only rich folks, who travel first class on international travel, get the opportunity to buy something duty-free?

Free trade is in the interest of the consumer. Free trade is the ability of low-income families to be able to purchase the best products, the best services, the best goods from wherever they may be developed. And I look forward to working with you, Mr. Chairman, in building the type of a duty-free world, a world without any borders to trade and commerce and ideas, because we have, right now, a borderless world ahead of us in telecommunications. It is called the Web, the Internet.

But we will not truly liberate the world's poor until every man and woman has the opportunity to buy, to sell, to trade freely, and I believe that will enhance the chances for democracy throughout this world, and you are on the cutting edge of the opportunity that we have to build a true golden age of trade, prosperity, and democracy for the Third World, particularly our friends and allies on the continent of Sub-Saharan Africa. I applaud you, and we will join with you in building this type of a world.

Thank you.

[The prepared statement follows:]

TESTIMONY BY
JACK KEMP
CO-CHAIRMAN, THE ALEXIS DE TOCQUEVILLE INSTITUTION AND
CO-DIRECTOR, EMPOWER AMERICA
ON H.R. 1432,
THE AFRICAN GROWTH AND OPPORTUNITY ACT
BEFORE THE COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON TRADE
U.S. HOUSE OF REPRESENTATIVES
APRIL, 29, 1997

Thank you, Mr. Chairman for inviting me to testify this morning on your bill H.R. 1432, the "African Growth and Opportunity Act." It is a pleasure to be here talking about how to spread the blessings of freedom, enterprise, democracy and human rights to the widest possible group of people. God clearly intended these blessings to rain on all men and women at all times and places. It is only our own actions, those of man himself, that thwart His will in this regard. So it is appropriate that we pay special attention today to a place where for too long, too many of those benefits, of those human rights, have been lacking. I am talking about Africa.

I would like to begin this morning by quoting Rev. Leon Sullivan, founder and Chairman of the board of Opportunities Industrialization Centers (OIC) and creator of the Sullivan Principles: "The desire of men to improve their living conditions and to be free, is universal. That desire must be nurtured and inspired by new projects of hope and new programs of opportunities. New leaders must spring up like strong oak trees stretching across the land."

The legislative initiative toward Africa under consideration by this committee is vitally important. We have opened up trade with NAFTA, with Europe and with Asia. It is time we also turned our attention to Africa. The legislative goals in this bill constitute a road map toward development: Eliminating government corruption and minimizing government intervention in the market; encouraging private ownership and removing restrictions on investment; lowering tax rates and establishing stable money; promoting the free movement of goods and protecting property rights. If African countries navigate by these stars, and if the United States works with them to reduce tariff and nontariff barriers to trade and to negotiate free trade areas, there is no limit to the continent's potential.

If we take it as a given that all people have roughly equal capabilities of goodness and of insight and of productivity, then it is an apparent paradox that Africa produces so much less and meets the needs of so few of its people. We do take this fundamental equality as a given. So the only reasonable explanation for the systematic gap between Africa's human potential and its actual condition is that the natural forces of growth and opportunity have somehow been thwarted.

I believe this to be the case in Africa. Africa has suffered from undemocratic governments, first colonial and then domestic tyrannies, for generations. As of the mid-1980s, the typical Freedom House ranking for African political rights was just above a 6 out of 7, with seven being least free.

Africa has suffered from high tax rates, which are truly perverse given its nascent state of development. The 1992 International Monetary Fund Assessment Project found that the typical African tax rate on income was higher than 50 percent and applied to incomes as low as $2,000. No wonder underground economies thrived!

African countries have been plagued by a pattern of destructive currency devaluations, particularly those with military regimes and opaque economic and political institutions. A recent memorandum from the Zairian central bank to the IMF, for example, listed approximately one-fourth of the bank's assets as "other"—not exactly a testament to clarity and transparency in the bank's operations. In terms of real per capita GDP, Africa stood in 1996 slightly behind where it was in 1976—a twenty-year recession.

Yet, many of these destructive tendencies are in the past, or at least we can say that in some areas of Africa, the trends have been reversed and progress is being made. If present rates of privatization continue, for example, Africa will replace Latin America and Eastern Europe as the world's largest privatizer, in share of economic output, in the world this year. Already such offerings as Ghana's massive sell off of the Ashanti gold fields have caught the attention of international investors. Airline, telecommunications, and other sectors may follow in such diverse countries as Zambia and the Ivory Coast.

There has been room for optimism on the democratization and economic freedom fronts as well. Since 1992, the Freedom House rankings of key African countries have improved by more than 33 percent, according to a quantitative analysis by the Alexis de Tocqueville Institution. Tax rates have been reduced in a number of African countries, including Botswana, Uganda, Kenya, and others, generally by a range of 25 percentage points or more. I am including with my testimony background research by Tocqueville's Opportunity Africa Project, which Congressman Payne chairs, on these hopeful developments.

Still, we should not let our optimism cloud our assessment of reality when it comes to democratization and economic freedom. Most of the progress on democratization reported above came before 1995, and unfortunately, the number of African countries classified as democratic has remained stuck at 14 (out of 54) since then. There is still a long way to go.

So, Mr. Chairman, we live at an historical moment of tremendous opportunity in the world economy and in Africa in particular—a moment when so many nations are finally escaping the prison of centrally planned economies to discover the new world of free markets, free economies, free trade and free people. With a real commitment to reform, all of Africa can join this progress. It isn't very orderly and it isn't inevitable, but it's an exciting opportunity for leadership.

By leadership, I mean having the faith of our convictions in freedom—for freedom is the key. And, the cause of freedom can only be served by a liberal-democratic political system and an economy based on entrepreneurial capitalism, private property and sound money.

What you are doing, Mr. Chairman, in holding these hearings and introducing this legislation is exercising the kind of new leadership Rev. Sullivan called for. We have done it before at critical points in history. At the end of World War II after saving democracy and capitalism from tyranny on the field of battle, we had enough faith in our democratic political system to help establish it in the lands of our former adversaries—and now close allies—Japan and Germany.

In later times, frankly, we failed to exhibit that kind of leadership because we had lost faith in our own democratic capitalism. For too many years, especially during late 1960s and throughout the 1970s, the rest of the world looked to us for leadership and came, innocent as lambs, to Washington, D.C. seeking to learn the secret of economic growth. The steadfast advice they got was to tax and spend, control and direct investment, run deficits, devalue their currencies, limit imports and push exports—all of the ill-advised policies we were inflicting in lesser degree on ourselves. Was it any wonder that, more and more, the people of the less-developed world became more hostile toward our leadership?

We wondered why peasant leaders, suddenly in control of millions of dollars, became corrupted. We wondered why young nations, counseled to develop strong central bureaucracies, became fertile soil for dictatorships. We wondered why we were steadily losing support in the United Nations. In short, we doubted our own system and gave poor advice.

During the 1980s, we recovered our balance and began the journey back to the basics of democratic capitalism—greater freedom, less bureaucratic regulation, lower tax rates, more stable money—and the economy responded. We regained our confidence, and with end of the Cold War, the world once again looks to us as a shining beacon of freedom and prosperity.

With its material riches, and more importantly its vast human capital, Africa has an opportunity to become a place not just to help, but also in which to invest and to profit. As Forbes magazine recently reported, multinational corporations enjoy a higher rate of profit on their operations in Africa, about 17 percent, than they do anywhere else in the world.

An historical study by Salomon Brothers shows that African sovereign-debt default rates, over a 100-year time horizon, are lower than Latin America, and comparable to those of Europe. In other words, given the high interest premia charged to African debt, African government and commercial paper may be an excellent choice for portfolio managers, because the real risk is low compared to the higher returns.

Thus, the Emerging Markets Watch investment newsletter, the premier information and analysis source for Wall Street on developing countries, could speak in its December issue of the

African tigers, countries like Uganda which has now enjoyed years of 6-10 percent real growth rates. Did you know that since 1980, Botswana's per capita real growth rate has virtually equaled that of Hong Kong?

Many of the African leaders that I talk to and read about in the press generally want nothing so much as to be able to continue these healthy trends and then to be able to reap the benefits of private capital flows and trade that follow naturally from such policies. They are not asking for a handout, or even for a long-term investment on sentimental grounds. They only seek to harness for their people the same market forces that have worked so prodigiously for Japan and Germany in the 1950s and Sixties, and for other emerging markets in the Eighties and Nineties.

And, of course, they would like to be allowed to adopt the same high-growth, pro-opportunity policies that have enabled Vietnam, South Korea, Malaysia, Chile, Argentina, and the Philippines -- not to mention Kenya and Ghana -- to enjoy 5-percent-plus growth in the 1990s. I believe some of the ideas contained in the legislation sponsored by Congressmen Crane, McCollum, Payne, and Rangel can make an important contribution to helping Africa take its rightful place in the global political economy. As someone who has fought some equally ambitious battles over the years, I applaud your courage. In the unlikely event any of you expected this legislation to sail through, let me disabuse you. Today, it is far more commonplace to talk about limits, about the budget pinch, and about the inability of capitalism to work in Africa or Russia, than about the limitless potential of men and women under freedom.

You and I know that there are no limits on ideas, and that a disproportionate number of the people who lack faith in democracy and freedom are a few elites in the free and democratic countries themselves. But make no mistake, there continue to be powerful forces of denial, forces of fear and corruption within Africa itself that must be overcome before democratic capitalism can take root and thrive on a continental basis.

There are friends of mine and yours on the right who quite frankly don't care much about Africa and the world. And, there are friends of ours on the left who profess to care very much about Africa, but who have so little faith in its people to produce and thrive under freedom that they remain stuck in the mind set of the so-called development experts and students of poverty who promote austerity and who pretend to be great populists, provided that the people's lives are managed by Western experts.

As I look across the table at Charlie Rangel, I think of enterprise zones and housing ownership and the recapitalization of our own cities, not to mention school choice, and I am reminded of the massive antibodies for the status quo, forces that have blocked those proposals for years and years in this Congress, under Republicans and Democrats.

To even open the prospect of American trade and access to American markets, to conceive of a direct relationship with Africa's new tigers is an audacious proposal, one that could focus and catalyze and energize the people and producers in Africa to new heights. In the spirit of that courage, I want to raise you one. I support what you are attempting to do and will work to do all I can to further your efforts.

I would add, however, the important truth that a proper American trading relationship, while helpful and necessary to African growth, is not sufficient. Indeed, no amount of American effort, in this bill or any other, to help Africa succeed can be successful without a commitment by Africans themselves to succeed. And, I must express my concern that in many quarters, such a commitment among the governing elites has not been forthcoming.

Part of the reason for this lack of commitment is in fact a direct result of counter-productive behavior produced by the efforts by our international financial institutions to "help." The most important economic need is for improvements in tax and monetary policy to spread around the continent. Yet, the greatest impediment to this occurring is the well-meaning but wrong-headed resistance of the International Monetary Fund, the World Bank, and the other development institutions, to policies of high growth. Governing elites learn to behave how they think these institutions want them to, not as a free people and a healthy capitalism demand.

During the implementation of NAFTA, the Caribbean Basin Initiative, and even the Marshall Plan some 50 years ago, America learned that liberal trade without domestic growth policy makes for disappointing results. The Mexican devaluation of 1994 and the IMF austerity policies of the early 1980s in the Caribbean were more than a match for the generous trade policies of the United States acting in isolation.

So, I would humbly suggest that those of you who are concerned with Africa consider further reform legislation for the IMF. It is an apt time, since that institution is once again coming back to the United States to ask for increased funding. What we need is a new focus and attitude of growth for Africa and for all the countries dealing with the Fund.

Five years ago, I participated in a private sector Blue Ribbon panel, the IMF Assessment Project, which reviewed IMF policies and operations in the preceding decades. It was my pleasure to be joined in that effort by Cyrus Vance, Bill Simon, the late Ed Muskie, Manley Johnson, Bill Bradley, Steve Solarz, Bob Kasten, and a host of others. One of our strongest conclusions was that the very glasnost and market transparency the IMF demands of its clients is markedly lacking when it comes to the Fund itself.

IMF letters of intent are the most closely guarded secret this side of the blueprint of the B-2 bomber, and with nothing comparable to justify the secrecy. The IMFAP's study of letters that were published found that countries with open relationships with the Fund enjoyed much higher rates of output growth, faster rises in equity prices, and lower inflation than the countries too embarrassed to let their relations see the light of day.

In addition, Secretary Simon and Vice Chairman Johnson have set forth intelligent ideas for adjusting the Fund to the realities of the new world currency, equity, and debt markets. Dr. Johnson suggests a special fund facility to cover budget and trade deficits which are capital expansive making the Fund a facilitator of growth. Secretary Simon argues cogently that the Fund has lost its way in an era of floating exchange rates, and warns against piecemeal, timid reforms that have simply served in the past as a means to perpetuate and extend the IMF bureaucracy.

I encourage you to consider Africa trade and other trade, in other words, in direct linkage with policies of IMF reform. I will be happy to help in this endeavor, as will Tocqueville's research resources, because I believe IMF reform is critical to the success of Africa's economies and of African trade. And I feel confident that Mr. Simon and Johnson would be happy to join in this effort, if the committee is interested in exploring these issues more deeply.

Thank you again, Mr. Chairman for affording me an opportunity to address this very crucial matter today. My very best to you and your colleagues as you strive to open this new relationship between Africa and the United States. Please call upon me in any capacity you believe I can be of assistance in advancing this great effort.

Chairman CRANE. Thank you.
Mayor Dinkins.

STATEMENT OF HON. DAVID N. DINKINS, CHAIRMAN, CONSTITUENCY FOR AFRICA AND FORMER MAYOR, NEW YORK CITY

Mr. DINKINS. Let me say how pleased I am to be here. I say to audiences these days that now I have been elected a private citizen, I go where I wish, and I am delighted to be here, especially pleased to be paired with Jack Kemp, a good friend.

Mr. Chairman, distinguished Members of the Subcommittee on Ways and Means, as the new chairman of the Constituency for Africa, I am pleased to testify on the need to expand U.S. trade with Sub-Saharan Africa. It is an honor for me to follow Ambassador Andrew Young, CFA's first board chairman and who continues on the board as chairman emeritus.

I am also pleased to offer my greetings to my dear friend, my brother, the Ranking Minority Member, Charles Rangel. It is good to be with you. He has provided outstanding leadership in the effort to build significant and reciprocal trade relations between the United States and Africa.

Founded in 1990, the Constituency for Africa has sought to educate the American people about Africa and African issues by disseminating information through seminars and forums, including our very successful series of townhall meetings on Africa. A growing proportion of our constituency is already doing business in Africa, and because of our national grassroots activity, we know that many more individuals and groups are interested in pursuing business opportunities, particularly if Congress helps set the stage.

Former Secretary of State Warren Christopher has urged greater U.S. involvement in Africa and has said that no one ever worked harder or with more success to broaden and diversify our trade and investment relationship with Africa than the late Commerce Secretary Ron Brown. We are seeking to build upon his work. To this end, we support the Crane-Rangel-McDermott bill, the African

Growth and Opportunity Act, that is designed to strengthen trade relationships between the United States and Africa.

Established on principles of economic growth, stability, and private sector involvement, and framed around a policy of liberalized trade and new investment codes, such relationships will no doubt prove mutually beneficial to the United States and Africa.

Increasingly, African countries are poised to participate in a new generation of economic development based on private involvement. Unprecedented changes in the political climate through democratization have begun to build a foundation for prosperity. Structural changes in many countries have strengthened their economies.

The average rate of economic growth in Africa was 3.8 percent in 1995 and 5.4 percent in 1996, excluding Nigeria and South Africa. The U.S. trade relationship with Africa was responsible for a measure of this growth. Exports to Africa increased by 23 percent to $5.4 billion in 1995. In that year, U.S. exports to all of Africa were 54 percent greater than those to the former Soviet states; trade with Africa was 50 percent more than trade with Eastern Europe.

Opportunities for further involvement through trade and investment are very much available, particularly in our areas of strength, including agribusiness, capital markets, energy sector, education, food production, and other areas. Such investment would also enhance the quality of life for some 700 million Africans in ways more powerful than economic assistance alone.

One of the major impediments, however, is the reluctance of American business to make the infrastructure investment necessary for future productive relationships and to take the kind of aggressive risks currently undertaken in other parts of the world.

Another constraint to increasing involvement with Africa is the lack of awareness on the part of the American public. Often the media focuses on negative stories rather than the real story of Africa. Recently there was even media criticism of First Lady Hillary Clinton's successful and productive visit to Africa.

In an effort to enhance public and private support for Africa in the United States, the Constituency for Africa this year launched a series of 10 townhall meetings on Africa. The fifth meeting will take place on June 21 in Denver, Colorado, to coincide with the meeting of G–7 countries and Russia. Speakers and participants in these meetings have included African diplomats, Members of Congress, representatives of the United States Agency for International Development, officials of U.N. agencies, and senior representatives of nonprofit organizations.

The unprecedented success of these meetings has given us a strong indication that there is great support for well structured trade and investment initiatives with Africa. To that end, please allow me to offer the Constituency for Africa's recommendations for expanding U.S. trade for Sub-Saharan African. I will, with your permission, submit my entire statement which will include these recommendations.

In conclusion, may I say how pleased I am to note the observation made by some others, that this is indeed a bipartisan effort backed by the administration and both sides of the aisle. It is a historic moment in our country, and I thank you for the opportunity to participate.

[The prepared statement and attachments follow:]

CFA
CONSTITUENCY FOR AFRICA

The Honorable David N. Dinkins

Testimony Before

The Committee on Ways and Means

Subcommittee on Trade

April 29, 1997

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Expanding U.S. Trade With Sub-Saharan Africa

Mr. Chairman, distinguished members of the Subcommittee on Trade of the Committee on Ways and Means, I am pleased, as the new Chairman of the Constituency for Africa (CFA) to testify on the need to expand U.S. trade with Sub-Saharan Africa. It is an honor for me to follow Ambassador Andrew Young, who served as CFA's first Board Chairman and continues on the Board as Chairman Emeritus.

I am also pleased to extend warm greetings to my dear friend Charles Rangel, the Ranking Minority Member. I am pleased that he has provided leadership for other members of the Congress and those on this Committee in building a significant and reciprocal trading relationship between the United States and Africa.

The Constituency for Africa, founded in 1990, has attempted to address the mandate of the White House Conference on Africa in 1994 to build a national constituency for Africa by disseminating information on Africa through seminars, forums and other methods, such as our very successful Town Hall Meetings on Africa.

Not only is a portion of our constituency already doing business in Africa, because of our national grass roots activity, we are in position to say that there is a thirst to do much more business in Africa if Congress helps to provide the leadership.

Therefore, we believe that former Secretary Warren Christopher was right when he urged greater U.S. involvement in Africa, and when he said : "No one ever worked harder or with more success to broaden and diversify our trade and investment relationship with Africa than Ron Brown," and that "we are carrying on his work." This policy which is designed to build a stronger mutually beneficial relationship between the United States and Africa would be established on principles of economic growth, stability and private sector involvement, and framed around a policy of liberalized trade and new investment codes.

Increasingly, African countries too, appear poised to participate in a new generation of economic development based on private involvement. There has been unprecedented changes in the political climate through democratization that has helped to build a foundation for prosperity. As a result of the relationship between political and economic forces, structural changes in many countries have strengthened their economies, such that the average rate of economic growth in Africa for 1995 was 3.8% and (excluding Nigeria and South Africa) reached 5.4% in 1996.

Some of this growth is accounted for by consistent involvement of the U.S. in trade with Africa , and in 1995, U.S. exports to all of Africa were 54% greater than to the former Soviet states; trade with West Africa is 50% more than with eastern Europe and U.S. exports to Africa increased by 23% reaching 5.4 billion.

With greater involvement by the U.S. through trade and investment, the 700 million Africans who urgently need the strengthening of agribusiness, capital markets, the energy sector, education, food production, and other sectors will be able to enhance their quality of life in ways more powerful than through economic assistance alone.

One of the major impediments to this project of more intensive economic engagement however, is the reluctance of American business to make the infrastructural investment for future productive relationship and to take the risks that they are currently undertaking so aggressively in other parts of the world. And we have seen our government's economic assistance budget for Africa decreased, in part, to facilitate the entry of American corporations in these areas.

This inequality and shortsightedness in perceiving the economic prospects of Africa is undergirded by the insufficient support of the American public, largely because they remain uninformed about Africa. Moreover, there appears to be a practice in the media to present to the American people the same stereotypical negative images of Africa in the 1990s that they did in the 1890s, while so many good things are occurring. This was recently confirmed by the media criticism of First Lady Hillary Clinton's very successful visit to Africa in which she sought to focus on those positive projects in various countries that were making a significant difference both socially and economically in the lives of average Africans.

In an effort to enhance public and private support for Africa in the United States, the Constituency for Africa launched a series of ten "Town Hall Meetings on Africa." These meetings attracted hundreds of participants and were held in Jackson, Mississippi; Memphis, Tennessee; Little Rock, Arkansas and the most recent in Mount Vernon, New York. The fifth meeting will take place on June 21 in Denver Colorado to coincide with the G-7 plus Russia meeting on Africa.

The speakers and resource persons for these meetings have been of high quality with interests in Africa, including African diplomats, members of Congress, representatives of the United States Agency for International Development, officials of United Nations agencies, senior representatives of nonprofit and private-sector companies and organizations, state and local government officials and NGO organizations with an interest in Africa. The unprecedented popularity of these meetings has given us a strong indication that there is great support for properly structured trade and investment initiatives with Africa. Therefore in closing, let me offer CFA's recommendations:

- First, we commend and support the Crane-McDermott-Rangel bill and the Administration's new initiatives, designed to facilitate African exports to the United States and U.S. investment in Africa. However, we have these specific suggestions:
  - The size of the investment funds allocated under the bill should be

reviewed for adequacy in light of the size and economic requirements of the 48 countries in Sub-Saharan Africa, and the funds allocated by Congress to other regional initiatives.

- The Export-Import Bank should develop a specific strategy to restructure the non-performing loans in its portfolio to facilitate the expansion of credit to more African countries.
- The HIPC (Highly Indebted Poor Countries) initiative to reduce the debt burden of African countries should be amended to increase its flexibility and speed its implementation. As it stands, the effort may prove slow and cumbersome.

- Second, the role of American embassies in facilitating American investment in African countries, particularly beyond South Africa and Nigeria, should be reviewed in light of the minimal level of investment to date. It is particularly important to identify ways to measure the effectiveness of existing programs in order to determine what steps can be taken to develop American investment, especially in the manufacturing, agriculture, infrastructure, and services sectors.
- Finally, we recommend that we identify ways to assist African exporters

in using the General System of Preferances (GSP) more effectively. Exports from Africa under the system are minimal, and therefore we need to review our existing policies to identify ways that we can more effectively support trade between Africa and the United States.

In any case, while there has been important indicators of economic progress, there is also growing and pervasive poverty and hunger. The Food and Agriculture Organization of the U.N. indicates that 30% of African children are malnourished and food production continues to decline. Therefore, while we support the thrust in policy toward greater trade and investment, we do not believe that humanitarian aid or the African Development Fund should be further diminished. Rather, we believe that the ADF should be increased 10% per year, both because it is a moral responsibility of a great nation such as ours and because development and humanitarian assistance support will be achieved through the enhancement of trade and investment relationships. Thus, we support a balanced policy based on both of these emphases.

With an American foreign policy in this era heavily focused in the direction of economic security, anchored by new regional trade agreements and other relations through the NAFTA, GATT, and regional forums in Latin

America and Asia, the potential of Africa has been overlooked. Yet, it is a continent nearly three times the size of the U.S., holding enormous potential for its own development and for contributing to the economic growth of those countries which decide to become fully engaged.

Therefore, we applaud this initiative and would urge consideration of the recommendations we propose and we look forward to working with you out in the country to develop American support for this vital direction of policy for the good of both Africa and the United States.

The Constituency for Africa (CFA) began in 1990 when a group of concerned Africanists and citizens, representing major organizations with an interest in Africa, joined to develop a strategy to build organized support for Africa in the United States. From this effort, the CFA's broadly defined purpose is to create an educated and informed U.S. public about Africa and U.S. policy towards Africa. Its mission is to mobilize and foster increased cooperation and coordination among a broad based coalition of American, African and international organizations and individuals committed to the progress and empowerment of Africa and African peoples. Over the years, its activities of education and information dissemination have led to a greater understanding and awareness of Africa.

From 1994-1996, the CFA built an independent 501(c) 3 nonprofit organization to guide its principal activities. When U.S. aid to Africa was threatened in 1995, the CFA organized a Summit on Africa Aid. More than 200 organizations attended this meeting to rally for continued U.S. involvement and support for Africa. CFA followed-up this action with a Town Meeting in Louisville, KY. As a result of both meetings, the CFA is widely credited with saving more than $200 million in the U.S. budget for Africa.

For 1997 and beyond, the CFA's strategy is to organize and service a nationwide coalition of organizations, businesses and individuals. The CFA will be a forum for the coalition in the struggle to recognize our nation's commitment to Africa and to strengthen the dialogue and link between U.S. foreign policy and domestic issues.

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Historic Town Meeting on Africa to be held in Mount Vernon

O'Rourke Steps Up Battle Against Bigotry

In response to a bias incident reported at a Westchester County-owned golf course, County Executive Andrew P. O'Rourke renewed his commitment to fight racism and anti-semitism and called upon the Board of Legislators to act quickly in creating a Westchester County Commission Against Bias. O'Rourke's proposal was outlined last week in his 1997 State of the County address.

According to O'Rourke, Staff at Dunwoodie Golf Course yesterday discovered that a four-foot by four-foot imprint of a swastika had been burned into the third fairway.

"Perhaps it was divine providence that this area was immediately covered with deep snow, blanketing the hate this evil insignia represents," O'Rourke said. "However, neither Mother Nature nor new sodding can conceal the ignorance and bigotry that exists with such an incident. All leaders in our community must continue to stand up and speak out against these acts."

The Westchester County Commission Against Bias will coordinate anti-bias efforts, assist individuals by referring them to an appropriate local, state or federal agency and hold hearings to make recom-

Forum Featuring National and International Experts on Africa to Convene at Grace Church April 12th

Mount Vernon, NY -- An international panel of experts will take part in a Town Hall Meeting on Africa organized by the Constituency For Africa (CFA) in Mount Vernon on April 12 from 1:00 to 4:00 p.m. at Grace Baptist Church, 52 South Sixth Avenue. All are invited to attend.

This fourth in a series of ten Town Hall Meetings is being organized by the Constituency for Africa (CFA), a Washington D.C.-based coalition and advocacy organization, in partnership with the United Nations Development Programme (UNDP) and the City of Mount Vernon. The free public session will aim to educate and inform the public outside of Washington about business and trade opportunities. US/Africa policy and other issues concerning Africa. Other Town Hall meetings have been held in Jackson, Mississipi, Memphis, Tennessee and Little Rock, Arkansas.

Among those expected to take part in the Mount Vernon Town Hall Meeting are the Hon. Benjamin A. Gilman, Chairman of International Relations for the House of Representatives; Hon. Charles B. Rangel, Hon. Donald M. Payne; Dr. Betty Shabazz, Institutional Advancement and Public Affairs/Cultural Attache, Medgfar Evers College, Brooklyn;

HON. CHARLES RANGEL
Member of Congress

Ambassador Ibrahima Sy, Executive Secretary, Organization of African Unity, New York and H.E. Ekwow Spio-Garbrah, Ambassador of Ghana. Also expected to attend are ambassadors and senior diplomats of the African countries of South Africa, Uganda and Namibia; senior representatives from U.S. government and non governmental organizations and representatives from private sector groups

TOWN MEETING Cont'd. on p. 2

2 • The WESTCHESTER County Press • Thu

TOWN MEETING,*Cont'd. from p. 1*

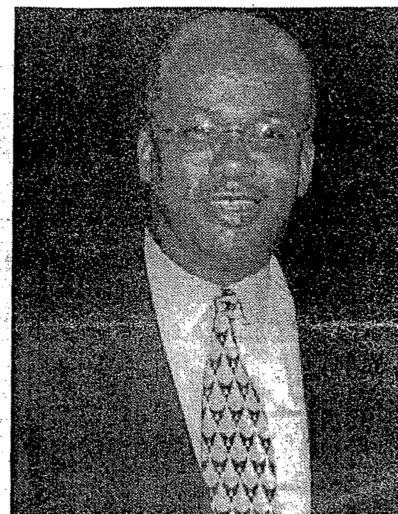
which specialize in Africa trade.

Mount Vernon Mayor Emest D. Davis welcomes the participation of this organization and its distinguished panel. "It is vitally important that all areas of communication remain open between the United States and Africa. I am delighted that the Constituency for Africa has selected Mount Vernon for the site of this historically significant gathering," he said.

Melvin Foote, the executive director of CFA, believes the Town Hall Meeting seriecs will have a significant impact o US-Africa relations. Said Mr. Foote, "The Town Meetings allow the African diplomats an excellent opportunity to make their case for increased U S engagement with Africa, directly with the American people "

All members of the media are invited to attend this important and historical event. For further info please contact Karen Wynn, (914) 665- 2358.

Ernie Green to Address Town Meeting on Africa in Little Rock



Ernest Green

WASHINGTON, D.C. — Ernie Green, who as a high school student, defied efforts to keep the schools in Little Rock, Arkansas segregated, and helped to set in motion the landmark Supreme Court decision "Brown vs Board of Education" in 1954, will lead a stellar cast of African experts taking part in a "Town Hall Meeting on Africa" being organized by the Constituency for Africa (CFA), in Little Rock on March 29th. The Brown vs Board of Education decision, paved the way for the integration of public school systems across the country.

The Town Hall meeting is being organized by the Constituency for Africa, a Washington, D.C. based coalition and advocacy organization, in partnership with the United Nations Development Programme (UNDP), the National Black Caucus Of State Legislators and other Africa-focused organizations. Arkansas State Representative, Irma Hunter brown is the official convener of the Little Rock Town Meeting. Mr. Green, who is now the Managing Director for Lehman Brothers, one of the country's largest investment banking firms, also serves as the Chairman of the Board of the African Development Foundation, a government agency which supports sustainable rural development throughout Africa.

The Little Rock "Town Hall Meeting on Africa", is the third in a series of ten such meetings which CFA is sponsoring this year to inform and educate the public outside of Washington about business and trade opportunities. U.S. Africa policy and other issues concerning Africa. On February 7th the group held a meeting in the Supreme Court chamber in the State Capitol building in Jackson, Mississippi, attended by 150 people. On February 8th the CFA Town Hall meeting was held in Memphis, Tennessee, with more than 400 people participating.

Also expected to take part in the Little Rock meeting is the Director of the Africa Region of UNDP, Ellen Sirleaf Johnson, Ambassadors and senior diplomats of the African countries of Namibia, Uganda, Senegal and Ghana, and representatives from government and non-governmental organizations and from private-sector groups which specialize in Africa trade.

Rep. Irma Hunter Brown, believes the Town Meeting can help to galvanize support for Africa and also nave an impact on U.S. - Africa policy. Said Rep. Hunter Brown, "The fact that this is the hometown of President Bill Clinton, should not be overlooked. I think that the President cares very much about what we in Little Rock think about greater involvement in Africa! Those of us who are organizing this meeting, plan to do everything possible to include local and state policy-makers, the media and our private sector In this important dialogue".

Melvin Foote, the Executive Director of the Constituency for Africa, believes the Town Meeting series will have a significant impact an U.S. - Africa relations. Said Mr. Foote, "The Town Meetings allow the African diplomats an excellent opportunity to make their case for increased U.S. engagement with Africa, directly with the American people. For too long the debate about Africa has been limited to those of as who reside within the Washington, D.C. beltway!"

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Arkansas State Press
March 20, 1997

Chairman CRANE. Thank you very much, Mayor Dinkins.

And to both of you: How do you see the trade and investment initiative contained in this legislation fitting in with the political and economic reforms underway currently in Sub-Saharan Africa?

Mr. DINKINS. How do we see it?

Chairman CRANE. Coordinating with the reforms that are underway in Sub-Saharan Africa right now.

Mr. DINKINS. I think very well. You know, there was mention made earlier about the need for hope, and I maintain that when one looks at Sub-Saharan Africa, which is to a great degree anchored on what happens in South Africa, and that which has already occurred in South Africa gives me hope that we will one day have peace in the Middle East, in Northern Ireland, and elsewhere in Africa, because if that which Nelson Mandela, that magnificent freedom fighter, has already done, what we have witnessed, I maintain that anything can be accomplished. And with the United States leading the way with this type of legislation, I am confident we will all succeed.

Mr. KEMP. Mr. Chairman, I would just add that the support of the Committee, the support of the United States, to the free trade zone to me is the most important part of this, that we are going to hold out to African countries who do privatize, as Mr. Rangel and you have pointed out, who do reduce trade barriers, who do take initiatives to allow private enterprise to flourish with the support of a government structure that leads to the rule of law and patent rights and intellectual property rights, that there would be incentives to trade freely with the United States.

Our market is the biggest in the world, albeit not in numbers, but in terms of consumer purchases. And that is a market that should be open, it seems to me, to Africa as it was to Mexico, to the Caribbean, to Western Europe subsequent to World War II, and of course, increasingly to Asia through APEC.

So that initiative, that incentive, I believe people will respond particularly in Africa to the opportunity to trade freely with the United States. So I again applaud all the elements of the bill before us, but particularly that part about building the U.S.-African free trade zone. That is exciting, alluding to the metaphor of APEC before.

Chairman CRANE. Thank you.

Mr. Rangel.

Mr. RANGEL. It is just hard to sound so boring after a comment by Mr. Kemp, but Mr. Dinkins, as the former mayor of the great city of New York, and Percy Sutton is here as the former president of the great Borough of Manhattan, we have Mayor Wellington Webb here of the great city of Denver.

And all of you have witnessed the great parades that Americans give for the banners waving for Greece and Italy and Israel. I just don't recall, Mr. Mayor, ever having any parades where the flags were flying for the countries in Africa. And I ask you, if your life depended on it, this great government gave you a grant for you to make a donation to your homeland, where your people came from, and wanted you to return there to show the great respect they had for you as you came into the United States and made something out of yourself, where would you go?

Mr. DINKINS. Well, not having traced my roots, as they say, I wouldn't know which one of those countries in Africa; I just know it is one of them.

I do know that when I was privileged to accept the hospitality of the ANC and Nelson Mandela in 1991, having been privileged to receive him in New York in 1990, I said to the press that I was pleased to return to the continent of my ancestors, and I was ridiculed and criticized for that.

But as you know, Mr. Congressman, in the city of New York we have 178 separate ethnic identities and there is a parade about every hour and a half, and so I have participated and been to many a reception and many a wonderful rally on behalf of others, and I swell with pride.

On St. Patrick's Day, I am David O'Dinkins, and I really truly appreciate the diversity that is our city. And it is sad that so few people, including, frankly, many African-Americans, don't appreciate the wonder and glory that is the continent of Africa. But you and your colleagues this day, I think, take a giant step toward enlightening Americans and the world about the wonderful continent of Africa.

Mr. RANGEL. And when we have our friend Jack Kemp, who is respected around the world for his views and the fact that he wants a better America and better world, it encourages investors to know that we are not asking them to stand alone. The United States of America stands with countries and with people, that we believe it is in our best interests, and encourages them.

So when you mentioned that my colleague said it was win-win, it is not only that way from a social and economic point of view, but it makes all Americans feel so proud of being Americans, so proud of being themselves and of their background, and so proud of building this bridge which is so important to the Free World.

Yes, I think that Republicans ought to feel so proud of themselves today, because this was not a political thing, it was an American thing that we do, and you two have been doing it for some years, and I am just glad that those of us who are sticking around can give you some interest on the investment you make.

Thank you.

Chairman CRANE. Thank you, Mr. Rangel.

Mr. Thomas.

Mr. THOMAS. Thank you, Mr. Chairman.

I want to apologize to everyone for not having been here. I am Chairman of the Health Subcommittee, and we had a Health Subcommittee hearing on at the same time on Medicare issues, which are important not only to New York but other States, on integrating Medicare and Medicaid for our frail, elderly population. We are going to try to move beyond demonstration programs and allow for market forces to structure products that meet needs. That is coordination between government and the private sector.

And this is what we are talking about here, and this is one of the concerns I have. Trying to be realistic in terms of what we can do, one, I think it is overdue that we reach out to Sub-Saharan Africa and talk about not just reducing barriers but eliminating them, especially when you look at the level of trade.

It is a lot smarter to eliminate barriers when we don't have a significant trade relationship, frankly, in a number of the products, rather than to wait for trade to develop and then try to institute it.

I also want to thank the Chairman for including a clear provision in the bill that we are not going to exclude particular products. I hope the administration is with us through the legislative process, and not just on takeoff, in making sure that we don't begin to exclude products that somebody might think create pressure on domestic industries, but we are realistic in looking at the trade relationship.

You have got a $10 billion import, and it is in oil. Then you drop to $1 billion in nonferrous materials and a third of a billion in diamonds, and as you go down the list—cocobeans, cane sugar, forestry products, tobacco—it is fairly clear that the United States and Europe, given the size of European trade, still are functioning to a certain extent in a mercantilist structure in a postcolonial arrangement, but it is also true that that is what they have to sell.

So I just hope as we go through this process, we encourage the development of various approaches that work for the Africans and not that work for us.

Jack, you mentioned the Caribbean Basin Initiative, and, frankly, I have been disappointed in that area as well, because we figured out ways to use them in coordination with our structure rather than freeing up their opportunities to find what it is that they can do best.

I appreciate your opening comments in terms of the vision of free trade. This is our opportunity to put it in practice. I hope everybody who is here on the takeoff is with us when we can get this legislation written and we can begin to encourage the development of broad-based economic interests and those folks get to export what they think makes sense to export rather than what we allow them to export along narrow channels that don't cause us any heartburn.

Mr. KEMP. Thank you for that comment, because if you look at CBI, the Caribbean Basin Initiative, that which one hand giveth, the other hand took away, and it is a disappointment to many of our Caribbean friends and neighbors to think that NAFTA has transcended the CBI.

I personally believe the Caribbean Basin should be totally included in NAFTA and the President should be given fast track authority to negotiate an extension of NAFTA to Chile, Argentina, Brazil, and we ought to rapidly approach Africa with an eye on passing this legislation.

As you pointed out, Mr. Thomas, the world has always been threatened by the idea of mercantilism, that one nation's gain is another nation's loss; one business's profit is another business's defeat. And that type of thinking is what prevailed in the thirties, and as I know Mr. Crane alluded to it, helped bring on the high tariff policies of our party.

Luckily, we have gotten over that, most of us, now that the isolationism forces of the far left and, frankly, the far right are raising their head again telling us we lose. Our enemy is not Africa, our enemy is not Mexico, our enemy is not the Far East, our enemy is the regulation, the taxes, the litigation, the paperwork and redtape that exists in this town. And America can compete with Africa and the whole world. If we do, our enemy is the bad ideas in this town, and the worst of it is mercantilism.

Mr. THOMAS. But it is very difficult to put together a Caribbean Basin Initiative when the largest country and most populous country is not part of the solution.

And I want to compliment Mayor Dinkins and everyone in this room who had a part in making sure as we addressed the Sub-Saharan Africa question, it is as an entire region and not with the exclusion of a particular country because of the continuation of policies that are abhorrent to all of us.

So I want to thank everyone for allowing us to address Sub-Saharan Africa as a unit rather than in particular pieces.

Thank you very much, Mr. Chairman.

Chairman CRANE. Mr. McDermott.

Mr. MCDERMOTT. Thank you, Mr. Chairman.

I want to take an opportunity just to say something. Mr. Kemp and I had a little discussion in the back before he came out here, and he asked how did I feel about his support for bill, and I said it is a great idea. It is good to have something where we work together, because ultimately this is an idea whose time has come.

I was thinking about why it didn't happen when you were talking about it before. We were in the middle of the cold war. The cold war has ended, and we are now in a position to reevaluate everything we have done during that period and make some changes. I think both sides have recognized that not everything we did prior to the cold war was right.

Somebody asked me why does Seattle have any interest in Africa; it is a long way away; you are really Pacific rim oriented.

The fact is, I saw what we did in the Pacific rim with APEC, and it seemed to me undeniable that if we could do it in those countries, you could do it in Africa. And they all started with the textile area. And that is why we put that into this bill, because we felt that textiles were a place to begin manufacturing.

As Mr. Thomas points out, if you just simply do extractive kinds of things, going for oil or minerals, you never build a sustainable base, and so the whole business of textiles as a way of beginning manufacturing, training the work force, is really a part of this.

And I think ultimately, in answer to Charlie's comment about where would Mr. Dinkins go, in Seattle we have a Seattle-Mombasa sister city relationship, and we have a Seattle-Limbe, which is in Cameroon. And I suspect that as a result of this bill we will have development of those kinds of relationships that have not caught on in the past.

We have a relationship in Seattle with every single Asian country, with Kobe and Indonesia and so forth. And I think you are going to see those kinds of ties develop across the country as a result of this. I think it is an exciting time, and if you have comments, you are welcome.

I yield the rest of my time.

Chairman CRANE. OK. Mr. Ramstad.

Mr. RAMSTAD. Thank you, Mr. Chairman.

Mr. Secretary, Mr. Mayor, I can't remember in my time on this Committee two more inspiring witnesses, especially not on the same panel, and I appreciate the testimony of both of you. I also appreciate this exercise in bipartisan pragmatic decisionmaking. We need more of this in this institution.

I also, Mr. Secretary, liked your illustration of the duty-free treatment at the airport. That is a good one. I think it very dramatically illustrates the underlying premise here in this legislation. I hope we can mark up this bill in May, H.R. 1432, and pass it with the same spirit that pervades this panel today.

Let me ask you, if I may, Secretary Kemp—I feel really weird calling you Secretary Kemp—Jack, I understand the equity fund, the infrastructure fund, and both, are right on target. I also understand the U.S.-Africa Economic Forum and the role that will play in this legislation.

What about the provision in the legislation directing the President to develop a plan to enter into one or more free trade agreements with African countries by the year 2020? Should not we be more ambitious?

Mr. KEMP. Yes. The question about the year 2020 as a goal is not bold enough for this initiative. I believe that the current administration, with outstanding Trade Representative Charlene Barshefsky, should begin to introduce the negotiations for a free trade zone with Africa immediately with a goal of doing it by the new century. We are not going to have this opportunity again, and it shouldn't pass unobserved.

As David Dinkins pointed out, Nelson Mandela, 27 years in prison and coming out of prison as the President of the new democratic Government of South Africa, he isn't waiting, he is moving as quickly as possible. Many of the nations that Charlie Rangel alluded to in his testimony are undertaking changes.

I couldn't pass up, if I might just add, Dr. Sullivan, who I think is in his mid-seventies. He deserves a lot of credit for reminding us as Americans that we had to have a set of principles to deal with the former apartheid regime of South Africa. He said, and I quote—and I saw Mr. Crane with an Adam Smith tie on. This sounds like Adam Smith. Dr. Sullivan in South Africa said the desire of men to improve their living conditions and be free is universal, and that desire must be nurtured and inspired by new projects of hope, new programs of opportunity, and new leaders must spring up like strong oak trees stretching across the land. I would only add, stretching across the globe. We need new ideas, new men, new women, new ideas. Don't wait until 2020; do it by the turn of the century.

Mr. RAMSTAD. Mr. Chairman, Jack, I hope the administration will get that message and we will get that message. I hope it will be well received because I couldn't agree more that we need to be more ambitious. Thank you again, both of you, for your inspiring testimony and leadership in this area. I appreciate it very much.

I yield back, Mr. Chairman.

Chairman CRANE. Mr. Jefferson.

Mr. JEFFERSON. Thank you, Mr. Chairman.

This is growing ever exciting, Mr. Chairman and Mr. Rangel.

Mr. Kemp, whom I have known for a long time, we enjoyed a good relationship when you were Secretary. We did a lot of very important work across the country and in my district. And Mayor Dinkins, I have long respected your work, and of course your friendship with Charlie Rangel is well known. He doesn't lose an occasion to express this to me from time to time; I will relate to you later under what circumstances.

And to Mayor Wellington Webb, who is going to host a very important summit for us, I am glad he has taken the time to come here and just inform himself about this process and incorporate his participation here and for other meetings and this meeting. Thank you very much for that.

Africa sorely needs a constituency out there in America, and your leadership, Mayor Dinkins, on this, is very, very important, and you come well equipped for the job, and we are very happy to see you in this role.

But every constituency needs something to rally around, excite itself about, and this bill and these cooperative efforts here between the Republicans and the Democrats give the constituency which is kind of dormant on Africa a chance to come alive and really learn something, and it helps our Committee to have a chance here or after to get the word out about this bill and build momentum for it here in this Congress. So it is a two-way street that we are very excited about, Mr. Mayor, and Mr. Secretary, about your involvement here.

I want to ask, you didn't get a chance to go through the entirety of your written remarks, Mr. Dinkins. You talked about the need to strengthen the equity funds in the bill. You talked about the need to work on the debt relief issue more directly. You talked about a shorter time to deal with the—I think the issue that Secretary Kemp just talked about.

And you talked about some more effective ways to use GSP, the General System of Preferences Program. You didn't get a chance to talk about these in your testimony. If there is something you would like to say to help further enlighten the Committee on these suggestions, or Mr. Kemp could chime in, I would very much appreciate it.

Thank you.

Mr. DINKINS. I thank you for your kind words and this opportunity. I think it is important to remind people that this legislation doesn't call for a cut in aid. There are levels of cuts in aid not to—I would urge that they be increased. In my formal comments I suggest that the African Development Fund should not only not be cut, but the ADF should be increased by 10 percent a year for the next several years.

And while I have this opportunity, let me also say that while we who go around the country and come to Mayor Web's great city in June talking about this legislation, another thing that will help focus the attention of the world on Africa is the effort of South Africa to have the Olympics in the year 2004 in Cape Town, and that could happen. That really could happen, and it will be a wonderful thing not just for South Africa, obviously it will be good for South Africa, but it will be good for all of Africa, and I say the world. And we have never had Olympics in Africa. The time is right.

Mr. KEMP. Could I add in postscript to Mayor Dinkins' comment, I mentioned the Marshall aid plan for the recovery of Western Europe. And to expand that metaphor, to Africa, I don't mean it as a metaphor alone, because I do believe that aid was instrumental in helping Europe rebuild in the post-World War period.

But I would remind everybody listening that the fastest growing economies of Western Europe subsequent to World War II were the countries that reduced their barriers to trade, that privatized as quickly as possible, that followed, and it wouldn't be a Jack Kemp testimony if I didn't allude at least to the fact that they followed low tax rates on labor and the formation of capital and followed policies that were integral to the post-World War II Bretton Woods international stabilization of currencies. Very controversial, but sound money, low taxes, and private profit are instrumental to economic development.

Newt Gingrich talked about the Asian Tigers, all of which followed those policies, and the countries in Africa that are doing the best are the ones that have begun to reduce the tax/regulatory/unstable monetary policies.

So it has nothing to do with climate, it has nothing to do with color, it has nothing to do with geography, it has to do with unleashing the power of individual entrepreneurs, men and women who are free to produce and to better their condition. They can do it anywhere in the world.

I would add as my word of caution, I worry too much, perhaps to some, but for me it isn't worrying too much, that the International Monetary Fund too often follows policies in Third World countries and less developing countries that require them to devalue their currency and keep their tax rates high. The tax in many African countries is close to 50 percent on people earning $2,000.

Some people would say, Jack, not many people earn $2,000. Well, they will never want to earn $2,000 or be able to earn $2,000 if you take and confiscate the fruits of their labor. So I hope you get a chance to read my testimony, because I go into the IMF, of which I have been an interested observer for many years.

Chairman CRANE. Mr. Collins.

Mr. COLLINS. Mr. Chairman, I want to thank you for extending me the courtesy, not being a Member of the Subcommittee, to be able to sit on the panel today to listen to this very important discussion on trade.

I am encouraged that we do have a bipartisan effort to encourage trade, because I know of no American worker who doesn't take pride in seeing a product they manufacture shipped around the world and sold to people of other nations.

I, too, am encouraged about the continuous debate today and that will follow about what policy we should take to encourage global trade in this country. Should we continue the policy of more government programs here to enhance the lives of Americans, or do we take Mr. Kemp's advice and look at the private sector here?

And we are our own worst enemy in a way because of the excessive taxation and the high cost of regulations and also the high cost of legislation that prohibits a lot of Americans from seeing the product they make shipped around the world.

Thank you for the courtesy you have extended to me to be a part of this hearing.

Chairman CRANE. Thank you.

And I want to express my appreciation to you, Jack, and Mayor Dinkins, and we will now break for a press conference, to answer any questions that the prudential press may have regarding this bipartisan legislation, and we will follow that press conference with a short lunch break and reconvene at 2 p.m.

The Committee stands in recess.

[Recess.]

Chairman CRANE. The Committee will now reconvene. Welcome back.

We will now hear from our next panel of witnesses, each of which are speaking on behalf of a Sub-Saharan African government. They will discuss what the trade provisions of H.R. 1432 will mean to people in the Sub-Saharan region. And we will now hear from His Excellency Newai Gebre-Ab, Minister and Economic Advisor to the Prime Minister of Ethiopia; His Excellency, Benjamin Kipkorir, Ambassador to the United States from Kenya; and His Excellency, Franklin Sonn, Ambassador to the United States from South Africa.

Mr. RANGEL. Would the Chairman yield?

Chairman CRANE. Yes, I would be happy to yield.

Mr. RANGEL. Thank you very much.

I just want to take this time now to thank not only you, Ambassador Sonn, but the entire group of Ambassadors for the candor and the friendship and the spirit of cooperation that you have given to Members of Congress. So many times, we have a feeling that we are doing something to help somebody and we forget to ask those people whether it is the help that they need or the help that they want.

For some reasons, our representatives from Africa, before the explosion of freedom in South Africa, of course, there was a reluctancy for the Ambassador corps to enjoy the relationship with Members on the Hill that other countries have enjoyed. Fortunately, that is behind us, and you know that we can never do everything someone would want, nor should we expect that you would be able to do the things that we want. But I just feel so good about the honest exchanges we have had as we work toward a common goal.

And I think that as we enjoy this bill, the release of Nelson Mandela, the freedom in South Africa, the explosion of freedoms throughout the world, that this relationship would be something not only that we as Members of Congress treasure but a part of the legacy that we can leave to our children.

I just wanted to say that before they testify. Thank you.

Chairman CRANE. You are more than welcome.

And I would like to remind the witnesses that we would appreciate it if you could keep your presentations, oral presentations, to roughly 5 minutes. But any printed statements you have will be made a part of the permanent record.

And with that, I will yield to you in the order that I introduced you.

STATEMENT OF HIS EXCELLENCY NEWAI GEBRE-AB, MINISTER, CHIEF ECONOMIC ADVISOR TO THE PRIME MINISTER OF THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

Mr. GEBRE-AB. Thank you.

Mr. Chairman and Members of the Trade Subcommittee, allow me to express the profound appreciation of my government for being given this opportunity to testify on the new U.S. policy of trade and investment for Sub-Saharan Africa. The bill, fittingly cited as the African Growth and Opportunity Act is fully welcomed by my government. Its vision for a free trade area of the United States and Africa, as well as its institutional and financial implementation measures consisting of an economic cooperation forum and a partnership program, are appropriately ambitious and well-conceived.

The bill is opportune for Africa, which in recent years has been engaged in far-reaching processes of political and economic change. By providing an opportunity for fast growth in Africa, the bill will reinforce the attainment of necessary reforms for successfully integrating Africa into the world economy.

Ethiopia has undertaken fundamental political and economic reforms in recent years. It has replaced a unitary state with a Federal system of government, initiated multiparty politics and pluralism, and laid the foundations for the maintenance of human rights. At the same time, a centralized command economy has been supplanted by a market-based economy, bringing the private sector into the center stage of economic growth and poverty alleviation.

In a short space of barely 6 years, since the overthrow of a long-standing dictatorship among the worst of its kind in the history of the continent, the Ethiopian landscape, both political, economic and dare I say environmental as well, has changed for the better. There is peace and stability where there was none for 30 years, and a fast economic growth has arrested the previous decade-long decline in per capita income.

Economic reform was embarked upon under the umbrella of a long-term vision of economic growth in Ethiopia. This was formulated as an agricultural development-led industrialization. It has two distinguishing features. First, it envisions a process of broad-based development, in which growth encompasses as its beneficiary an ever increasing proportion of the population of the country. Second, it foresees a process of interaction between agriculture and industry, each reinforcing the other. Much as this reinforcement holds great potential for a sustainable process of development in a relatively large country such as Ethiopia, with a current population of some 55 million, practice revealed to us sooner than expected the importance of export-led growth as an integral part of our long-term perspective of economic development. I refer to a lesson learned from our success in increasing dramatically our cereal production during the last 2 years.

The synergy between policy reforms buttressed by programs of support and economic growth have been strikingly evidenced in food production. It needs no reminding that Ethiopia was a humanitarian basket-case for almost 2 decades since the famine of the early seventies. The country was chronically in shortage of food, even in fairly good rainy seasons. Food deficit was judged to have turned structural. In 1995–96, this was reversed, as domestic production of cereals increased by over 15 percent, bridging the food gap.

The following year, 1996–97 again witnessed a sharp growth of production of cereals, which has made the country virtually self-sufficient in food. At the same time, it became necessary for Ethiopia to export maize to avert a price collapse and its attendant price disincentive effects, at even such an early stage of our agricultural development. This is a story worth telling on its own, but what I wanted to underscore here, by citing this instance, is how growth of output can be constrained by lack of domestic market and how exports can help lift this bottleneck and enable growth to proceed.

The expectation is therefore that the proposed act will contribute to the process of export-led growth in Africa; that it can lead to the growth of exports to the huge U.S. market by enlarging Africa's trading network with the United States, improving know-how of marketing in the United States, and enhancing market access for designated commodities.

It is equally important for Africa to attract foreign investment if it is to attain a fast growth rate over an extended period of two to three decades, which would make the minimization of poverty an eventual possibility.

Africa is viewed as a continent of sluggish growth and volatile economy. For this reason, it is unable to attract foreign investment in any significant measure. The picture on the ground, however, is beginning to change positively in several Sub-Saharan African countries. Ethiopia's economic performance in the last 3 years of 1994–96, for instance, shows a yearly average growth rate of GDP of around 6 percent; a sharp fall of inflation from 17 percent in 1994 to 2 percent in 1995 and −5 percent in 1996; and a narrowing of the fiscal gap with zero domestic borrowing.

Economic growth, with macroeconomic stability and commitment to continued economic reform, is setting a favorable environment for attracting foreign investment to Ethiopia. With similar economic performances being observed in several Sub-Saharan Africa countries, it is to be hoped that the trade and investment bill can set into motion a new perception of Africa as a region where it is safe and profitable to do business for American investors.

I thank you.

[The prepared statement follows:]

Embassy of Ethiopia

Statement by H.E. Newai Gebre-Ab, Minister

Chief Economic Advisor to the Prime Minister of Ethiopia

April 29, 1997

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Economic reform was embarked upon under the umbrella of a long-term vision of economic growth in Ethiopia. This was formulated as an "Agricultural development-led Industrialization". It has two distinguishing features. First, it envisions a process of broad-based development, in which growth encompasses as its beneficiary an ever increasing proportion of the population of the country. Second, it foresees a process of interaction between agriculture and industry, each reinforcing the other. Much as this reinforcement holds great potential for a sustainable process of development in a relatively large country such as Ethiopia, with a current population of some 55 million, practice revealed to us sooner than expected the importance of export-led growth as an

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Thank you.

Chairman CRANE. Ambassador Kipkorir.

STATEMENT OF HIS EXCELLENCY BENJAMIN E. KIPKORIR, PH.D., AMBASSADOR, REPUBLIC OF KENYA

Ambassador KIPKORIR. Mr. Chairman, Honorable Rangel, Members of the Committee, it is a great honor for me to have been given this opportunity to testify before this Committee on a matter which I believe is of great importance.

Today, Africa resembles a kaleidoscope. Mention poverty, ethnic strife, disease, illiteracy and, yes, corruption, and you have a familiar picture of Africa. But amidst all this confusion and apparent hopelessness, there burns a candle of promise that Africa's potential is not lost and that its people are poised for a better future provided the continent gets a fair chance at the world markets.

Let me talk about my country Kenya, which in many ways is an average African country and a product of colonial legacy. After attaining our independence in 1963, we promoted a mixed economy in which the government was a major player in business alongside the private sector. We specifically pursued import substitution policies aimed at encouraging local industrialization through protectionism, sometimes leading to monopolistic situations.

Import substitution policies are no longer tenable. Accordingly, we have embarked on a comprehensive package of reforms affecting the economy as well as our government.

Together with other African countries, we have participated in the creation of regional markets beginning with the preferential trade area, PTA, now transformed into the Common Market for Eastern and Southern Africa, COMESA.

Closer home, we have revived the East African Community under the banner of the East African Cooperation.

It might interest Members of Congress, Mr. Chairman, to know that close to 40 percent of Kenya's exports go to our immediate neighbors and to other COMESA countries.

Relations between Kenya and the United States have always been cordial, Mr. Chairman. Kenya, as you know, has served as a base for the U.S. Government and international humanitarian relief activities in the Eastern African region by providing port facilities at Mombasa and Nairobi.

With regard to foreign investment and trade, more than 80 percent of United States private corporations have interests in Kenya, mainly in the service sector. However, Kenya's exports to the United States of only \$107 million are a pittance, accounting for only 2.7 percent of our total exports in 1996, while our imports from the United States at \$104 million in the same year, or 5.3 percent of our total imports, are only a little better.

Clearly, there is room for improvement in this area as the late Ron Brown so eloquently pointed out during his visit to Kenya in February 1996. Until recently, apart from imports of civilian aircraft and military materials, most Kenyans have regarded the United States as a source of aid and not as a serious trading partner. While foreign assistance for my country, as indeed for the rest of the continent, may have alleviated short-term problems, it has failed to achieve sustainable economic growth.

We all recognize that the era of aid is gone. We must have in its place something better. Despite aid flows, Africa has continued to sink deeper into indebtedness. Africa's debt, estimated at US\$199 billion in 1995 hampers development. At the same time, a poor and inadequate basic infrastructure discourages new investment. These issues must be quickly addressed through appropriate policies to assist growth of African economies.

When we in Kenya began to liberalize our markets in the earlier part of this decade, we readily welcomed investment and transfer of technology. We yearn for the creation of jobs for our youthful population. With those endeavors in mind, Kenya introduced MUB, manufacturing under bond, and export processing zones. Among the earliest foreign investments to take advantage of these facilities were those in the garment sector. The apparel industry seemed to offer us a leg up out of economic impoverishment due to the emerging economies of the world. This was an exciting new window of opportunity, and for some time Kenya appeared set to have a stable basis for an industrial takeoff. All hope, however, was shattered when the United States slammed quotas on Kenya's budding textile industry.

Mr. Chairman, I have just returned from a visit home where I consulted with government officials and business representatives in the textile industry. I can confirm the findings of the study conducted by the World Bank in 1996. Without a doubt, the imposition of quotas had a devastating effect on Kenya's garment industry, leading to a loss of employment opportunities for about 10,000 workers and about 2 percent of Kenya's manufacturing GDP per annum, mainly due to closure of factories and cancellation of investment proposals.

This was the unkindest cut of all, coming from a nation that is so renowned for her charity and her belief in the promotion of free trade. Clearly, our infant garment industry was not a threat to the U.S. market, estimated at about $120 billion per annum. The imposition of quotas ran counter to the spirit of fair trade as advocated by the United States and the WTO.

Furthermore, out of the entire African continent, only Kenya and Mauritius are subjected to quotas. We, therefore, welcome and support the textile initiative in the proposed bill.

Sub-Saharan Africa also stands to benefit from an expanded GSP which should include textile products as this would place Africa almost at par with competitors such as Mexico and the Caribbean countries, which have special arrangements with the United States. The private sector will continue to be the engine of development in Africa and therefore the proposed Sub-Saharan funds are desirable instruments in promoting U.S.-African private enterprise.

Last but not least, exchange of high-level visits and regular consultations will provide opportunities to review future U.S.–Sub-Saharan Africa economic and trade relations.

I thank you, Mr. Chairman, for your attention.

[The prepared statement follows:]

TESTIMONY BY H.E. DR. BENJAMIN KIPKORIR
BEFORE THE TRADE SUB-COMMITTEE
HEARING ON
THE "AFRICAN GROWTH AND OPPORTUNITY ACT"
April 29,1997

INTRODUCTION

Hon. Chairman:
Hon. Members of the Committee:

It is a great honour for me and my country to have been given this opportunity to testify before this honourable Committee on a matter which I sincerely believe is of great importance.

Today, Africa resembles a kaleidoscope. Mention poverty, ethnic strife, disease, illiteracy and yes, corruption and you have a familiar picture of Africa. But amidst all this confusion and apparent hopelessness that the Western media has so well implanted in our minds, there burns a candle of promise. There is a promise that Africa's economic potential will come to be, not just for the benefit of its peoples but all mankind. There is a promise that Africa matters as a serious economic and trade partner.

ECONOMIC REFORMS

Kenya, in many ways is an average African country. Like most countries in Africa we have a history of colonial government. Having achieved independence in 1963 from Britain, we proceeded to adopt a mixed type economy with government playing a significant role in regulation of trade and industry. Specifically we pursued import substitution policies aimed at encouraging local industrialization through protectionism, sometimes leading to development of monopolistic situations. Our foreign currency earnings were conserved through the Exchange Control Act.

However, in the background of a changing global environment, it became quite evident in the second and third decades of independence that import substitution policies had outlived their usefulness and were no longer effective. We therefore started to pursue export led policies as the engine for economic development. In a bid to find quick solutions to the ever worsening economic situation, the country started implementing a number of economic reform measures in the late eighties under the World Bank/IMF administered Structural Adjustment Programme. Many of these reforms have successfully been completed during the last five years while others are well underway. These include: -

1. **Civil service reform**:
   Government believes in a leaner and more efficient civil service and is steadily reducing the number of employees through a voluntary, early retirement scheme. This measure will significantly reduce the burden on the exchequer.

2. **Price decontrol**:
   All prices in Kenya, including sensitive areas like fuel are now market determined.

3. **Abolishing import export licences**:
   The cumbersome process involving import and export trade licensing has been streamlined. Only a few items mainly of national security, environmental and health concerns are regulated.

4. **Repeal of the Exchange Control Act**:
   The Exchange Control Act which restricted flow of foreign exchange was repealed in December 1995 effectively allowing free movement of investment into and out of the country. In addition, the Nairobi Stock Exchange (NSE), the third largest in Sub-Saharan Africa, is now open to foreign participation and investment. Foreigners can buy up to

40% equity in firms quoted on the NSE.

5. **Privatization:**
Government believes that private sector should be the engine for development. Consequently, it is committed to divesting from parastatal and other business concerns to allow more private capital to run business. Kenya Airways, where Government is now a minority share holder, was last year cited by the IFC as one of the most successful public offers in Sub-Saharan Africa. The airline is now owned 26% by KLM, 14% by International Emerging Market Funds, 23% by Kenya Government, 34% by the Kenyan public and institutions and 3% by employees of the airline.

6. **Macro-economic stability:**
Through prudent management by the Central Bank, inflation has been brought down to single digits, economic growth revamped from 0.3% in 1993 to 4.8% in 1996, and the Kenya Shilling exchange rate stabilized at around 55 to the dollar in the last 18 months.

The above and similar economic reforms are echoed in several other countries of Sub-Saharan Africa signifying the fact that Africans are prepared to change with the times and to open up their markets for foreign investments and trade.

7. **Regional Co-operation:**
Kenya is a member of the Common Market for Eastern and Southern Africa (COMESA), a 20-country group whose long term objective is to eliminate trade tariffs among the member states. Since its inception, trade among COMESA countries has grown from $834 million in 1985 to $1.7 billion in 1994 and is set to increase to $4 billion by the year 2000[1].

Closer home, Kenya, Uganda and Tanzania have formed the East African Co-operation, (a region of over 79 million people with a GNP of $15.1 billion (1995)[2] with a Secretariat in Arusha, Tanzania, along the same lines of the defunct East African Community. The EAC Permanent Tripartite Commission has a wide mandate covering co-operation in resource management, transport, investment and trade, promotion, telecommunications, labour and security, etc.

That Africans recognize the importance of regional co-operation in trade is evident in the replication of similar organizations on the continent such as the Southern African Development Community (SADC) and the Economic Community of West African States (ECOWAS).

KENYA-US RELATIONS

Relations between Kenya and the United States have always been cordial. Kenya has served as a suitable base for the US Government and international humanitarian relief activities in the Eastern Africa region by providing transport facilities through Mombasa and Nairobi. Kenya's industries have also been ready sources of food and other equipment supplies to United Nations agencies such as UNICEF, UNHCR and WFP in their various programmes in the region.

For nearly 40 years, Kenya has been a beneficiary of bilateral aid from the United States, channeled through mainly the United States Agency for International Development (USAID) and also through several NGOs, churches, private corporations and benevolent individuals. USAID continues to help sustenance of Kenya Government programmes in agricultural research, private sector development, family planning and health and more recently good governance and institutional development. Many of Kenya's current leaders were educated in the United States and look to this country for inspiration and example.

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[1]Source: Features Africa Network, April 10, 1997.

[2]Source: Central Bank of Kenya, February 1997.

Over 80 United States private corporations have interest of one form or another in Kenya in areas ranging from provision of banking and financial services and transportation, agro-processing, oil distribution, management consultancy and pharmaceutical industry to telecommunications and information technology.

In 1996 Kenya exported goods worth US$107 million to the United States as compared to $104.2 million worth of imports. Over all, the US accounted for about 5.3% of Kenya's total imports and 2.7% of her total exports[3]. These figures compare poorly to Kenya's trade with other countries of the developed World which together account for nearly 50% of Kenya's imports and 30% of her exports. There is definitely room for Kenya and the United States to double, or even triple the trade between them in a short time by providing specific financial schemes and policies to encourage private sector driven bilateral trade.

THE CHALLENGE

At the birth of Kenya as a nation, her leadership defined Kenya's development goals as "the war against poverty, disease, and ignorance" (read as illiteracy). Thirty five years after independence mass poverty, disease and lack of educational opportunities still afflict a large cross section of Kenya as they do the rest of the continent. One is bound to question "what went wrong?"

Kenya's rapid population growth estimated at 3.2 % per year has been a major challenge to national development. Kenya must maintain an economic growth rate that equals or exceeds this level for it to make a headway. The population growth puts pressure on the infrastructure, aggravates the unemployment situation and perpetuates poverty. We see policies that attract investment, encourage trade and create jobs as being more successful in checking population growth. Policies should address the root causes rather than symptoms of underdevelopment.

While foreign aid has assisted Africa to resolve some of its short term problems, it has failed to achieve the long term objective of improving the standard of living and the quality of life in the continent. Moreover, aid has promoted the culture of dependency and encouraged Africans to expect bail-out from external donors instead of developing their own institutions and finding home-grown solutions to achieve sustainable growth of their economies. It can therefore be reasonably concluded that aid alone will not achieve sustainable development if lessons of the past are anything to go by. Aid must be accompanied by specific economic policies that attract and promote inflow of private investment into Africa and policies that allow free access for African products to the rest of the world. Africans have come to realize that trade not aid is the way to the future.

Africans are aware of shrinking levels of aid. The post cold war period has witnessed a period of shrinking aid as Africa competes for scarce resources with other parts of the World especially Eastern Europe. Furthermore, due to budgetary and domestic political pressures, donors have begun to question the effectiveness of aid. Africans are equally concerned with increasing indebtedness. Africa's indebtedness estimated at $199 billion in 1995 (or $384 per capita) discourages private investment and therefore hampers development. For example, in 1995 Kenya's debt was approximately US $6 billion which translated to a debt service ratio of 24.8 per cent[4]. It is against this background that African countries have embraced reforms and continue to do so.

The "African Growth and Opportunity Act" is a timely bill that lays down proposals that will spur a new chapter of economic and trade co-operation between the U.S. and Sub-Saharan Africa. The bill addresses past failures and gives hope to Africa of emerging from the state of a perpetual aid recipient to that of a viable economic partner that can contribute to global development and prosperity.

Good governance and democratization in Africa are obviously of great concern to the United

[3]Source: Derived from Central Bank of Kenya, Monthly Economic Review, March 1997.

[4]Source: Central Bank of Kenya, March 1997

States. What may not be obvious is that the majority of Africans equally value and cherish similar aspirations but are not in a position to achieve them overnight because of the complex problems including poverty, illiteracy, famine and inadequate infrastructure that afflict the continent. Political reforms in Africa are definitely underway but these should be nursed and allowed to evolve at a manageable pace, taking the socio-economic conditions of the continent into consideration. That many African countries have been able to simultaneously undergo considerable political change while implementing far reaching reforms, quite often with high social costs, is itself commendable and says a lot about African people's determination to start taking responsibility for their destiny.

A U.S. policy toward Africa that is based purely on political preference is likely to suppress potential growth centres in Africa. Africa needs support and encouragement in the process of democratization. With some patience from the developed countries, suitable political systems which support necessary economic reforms and encourage private sector growth will eventually take shape in Africa.

Transfer of Technology

Africa is endowed with a fair share of the World's mineral, forest, land and other natural resources. The continent has a suitable climate for a variety of agricultural activities. Africa can compete and should compete in international markets, but to do so, international support and co-operation are necessary.

Due to her relatively lower level of industrialization, Africa's trade with the developed World is still imbalanced with African exports being mainly raw materials with little value added as compared to her imports of highly priced manufactured goods.

The unfavourable terms of trade imposed on Africa have contributed to the continent's underdevelopment over years. Policies that enable Africa to access and develop appropriate technologies to manufacture industrial goods with a more valuable added component are therefore likely to improve Africa's terms of trade and contribute to economic development.

Technological transfer should take into account the need to involve local businesses in Africa in sub-contracting arrangements and franchising. At the same time there is need to ensure that training and human resource development is integrated in joint ventures as this is the basis of providing continuity and sustainable development.

The Generalized System of Preferences (GSP)

The US Generalized System of Preferences (GSP) scheme has provided possibility for African countries to access the US market. However, the effectiveness of the scheme has been limited. Most significantly, it excludes textile and apparel items, thus constraining market access for products from a manufacturing sector that is important for Sub-Saharan Africa countries' export earnings, employment, diffusion of skills and transfer of technology.

A GSP that serves its intended purposes should include more products than at present in order to encourage a wider range of exports from Sub-Saharan Africa. It should also be operational for longer periods in order to allow meaningful planning and investment based on its provisions. Furthermore, it should be widely publicized through business seminars and training.

Freight costs between the United States and majority of Sub-Saharan African countries are relatively high compared to those between the US and the Caribbean, Latin America or East Asia. Arrangements such as the GSP, that assist African producers to compete more favourably in the U.S. market, are likely to contribute to increased trade.

The Textiles Initiative

The textiles initiative provides more access to the US market by exports of textile products from Sub-Saharan Africa. The current quotas on exports of cotton shirts and pillow cases from Kenya is an example of contradiction in current US development assistance to Africa.

While USAID has been injecting funds to the development of private enterprise in Kenya, slamming of quotas on exports of Kenya textiles to the US has led to the closure of several enterprises in Kenya and discouraged many American firms from investing in the country or doing business with Kenya. Kenya's textile exports are only a drop in the ocean compared to the multi billion US textile market and therefore pause no real threat of disrupting the US market.

Private Investment

While private investment has enjoyed growth globally, Sub-Saharan Africa's share has declined. Internationally, foreign investment is now in form of Foreign Direct Investment (FDI) for which competition has also substantially increased. Most of FDI has gone to the industrialized countries and the remainder to a few Newly Industrialized Countries(NICs) of Asia and Latin America.

FDI to Africa has been insignificant, accounting for only US$1.9 billion or 1.2% of annual average global FDI over the ten-year period between 1985 and 1994. Moreover, the stock of inward FDI to Sub-Saharan Africa has been declining as a proportion of the developing world. It declined from 26.4 per cent in 1980 to 6.7 per cent, in 1995.

Africa has been left behind in FDIs because of the continent's deteriorating economic and social conditions since the late 1970s. The continent's economic production has almost stagnated with its Gross Domestic Product growth in the ten-year period (1985 - 1994) averaging only 0.9% as compared to 9.4% for South Asia and 1.8% for the World as a whole. This is mainly due to lack of adequate investment and limiting institutional capacity[5].

Poor and inadequate infrastructure have been associated with Sub-Saharan Africa's underdevelopment. Inaccessibility of agricultural areas, congested and outmoded telecommunications and energy shortage discourage potential investors. The proposed equity and infrastructure fund will complement efforts by African countries to develop their infrastructure and institutional capacity leading to more opportunity for American firms to compete with those from other parts of the world for projects in Africa.

The private sector must eventually play a leading role in Africa's economic development efforts and therefore, measures that promote this should be incorporated in a future US trade and investment policy towards Africa. European firms have been able to compete and gain a foothold in Africa mainly because of the support and guarantees provided by their governments through various financing arrangements and insurance schemes. A similar trend can now be seen with a number of Asian countries. More involvement of the Export - Import Bank and the Overseas Private Investment Corporation (OPIC) in Africa is therefore in line with on-going international trade practice. This should encourage and enable more American firms to undertake business ventures in Sub-Saharan Africa by providing the much needed guarantees and loans.

Consultative Forum

The ever changing global economic climate calls for continuous review of policies and reallocation of resources based on new priorities. The US - Sub-Saharan Africa Trade and Economic Cooperation Forum that the bill proposes is therefore probably the pillar of future US -Sub-Saharan Africa relationsr as this will provide a forum to review and implement programmes of mutual benefit to both of them. The interest generated by the visit of the late Secretary of Commerce Ron Brown to Africa in February last year and subsequent follow-up activities are testimony that private sector and government must work together in their respective roles; but governments must pave the way and create the necessary enabling environment for private sector activity.

The recent visit by the First Lady, Mrs. Hillary Rodham Clinton to Africa further demonstrates the need to exchange high-level visits. A visit by President Clinton to Sub-Saharan Africa during his second term in office will be a historic event that would lay a strong foundation for

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[5]Source: Central Bank of Kenya, March 1997.

economic co-operation between the United States and Africa as we enter the 21st Century.

In conclusion, I wish to mention that during the preparation of the bill, the sponsors have invited the opinion of African governments and private sector. I would therefore take it that the bill to a great extent reflects the aspirations of African countries in their economic and trade relations with the United States. I join other contributors to this bill in thanking all the sponsors for their initiative and also the Chairman and members of this Sub-Committee for giving me an opportunity to testify.

Thank you Hon. Chairman.

Kenya Embassy
Washington, D.C.

April 1997

Chairman CRANE. Thank you.
Ambassador Sonn.

STATEMENT OF HIS EXCELLENCY FRANKLIN A. SONN, AMBASSADOR, REPUBLIC OF SOUTH AFRICA

Ambassador SONN. Mr. Chairman and Members of the Subcommittee, thank you very much for the opportunity afforded us to testify to this Committee, and particularly a word of thanks to the Chair and also to the Ranking Minority Member of the Subcommittee for the interest in promoting improved relations between the United States and Africa.

The whole question of Africa was a matter of concern until awhile ago since Africa appeared to be slipping off the American radar screen.

We owe a great debt of gratitude to the Speaker for his depth of knowledge and his constant urgings to keep the focus on Africa as an opportunity for American industry and trade, and I also want to make use of this opportunity to single out perhaps the Ranking Minority Member, Charlie Rangel, for his contribution and his sticking to Africa, and particularly to South Africa, over a long period of time.

This hearing is another positive example of the importance of democracy and the effect of bipartisan cooperation within the context of freedom, which also presupposes freedom in the marketplace. I would also like to thank the authors and sponsors of the legislation before us for their work in preparing this legislation, and the staff for their hard work in preparing the bill.

I am appearing here on behalf of the South African Government. This in itself is a historic moment therein that it is the first time that a representative of a new democratic South Africa appears before your Committee, which makes this event an auspicious and memorable one for all of us.

The South African Government's fundamental—point of departure is that South Africa is intrinsically and inherently part of Africa.

At first sight, this statement appears to be trite. The fact is, however, that apartheid isolated South Africa from Africa. My government and the vast majority of people of South Africa want to thank you for your efforts to isolate the apartheid regime as we now also pay tribute to you for seeking to bind us in and together so that we can, along with you and our African compatriots, act on the business of affecting the renaissance of Africa. This is the context in which we view this bill.

South Africa represents 4 percent of the African territory, 6 percent of the African population, yet generates 47 percent of the continent's electricity. Its economy is four times the size of the rest of the SADC countries of 12 put together, with a GNP of US$190 billion. South Africa's GNP is $120 billion of that $190 billion, which places an enormous responsibility on our country to play its part in the revitalization of Africa and also in what we term the coming renaissance of Africa.

Relations between the United States and South Africa are very good. The Binational Commission, or we call it the Gore and Mbeki Commission, is one sign of that. The visit of First Lady Hillary Clinton is another sign of that, and to other African countries, and the about-to-happen congressional delegation lead by Congressman Royce is another sign of the growing and close relations between South Africa and the United States.

We in South Africa are cognizant of the deep support then and now from many organizations in Africa for the South African cause to—and here we would like to mention particularly the Clinton administration and particularly Ron Brown and his Commerce Department, the African desk of the State Department, and also the Treasury Department; also the constituents of Africa that testified this morning, Corporate Council on Africa, Ambassador Dave Miller, the African American Institute, U.S.-South Africa Business Council, Reverend Sullivan, Trans-Africa, the African American Chamber of Commerce, and many organizations which over a long period of time have shown direct interest in the travails and in the aspirations of South Africa.

The South African Government is committed to restructuring its economy, to promote trade and investment, reduce tariff and non-tariff barriers, the elimination of the financial rand the easing of exchange controls, the bilateral tax treaty being negotiated between South Africa and the United States, and also the promotion of regionalization through the increase of trade and investment with the SADC countries.

Malaysia, with Southwestern Bell in Texas has just made its biggest investment ever in Africa, with its 30 percent acquisition of the telecommunications industry.

The Maputo Corridor Project is another example of a $240 million project between South Africa and its neighboring countries, and also the U.S. companies' investment in oil exploration in South Africa, are some of the largest investments in Africa. And then we have just launched now the SADC Web site, World Wide Web site, which is an indication of us moving into the modern world.

We want to express broad general support for the bill under consideration. A written statement of my government's view is in your possession. We trust that this bill will have a smooth and easy passage and that once it is promulgated into law will form the basis of fruitful and constructive trade negotiations and relations between the United States and South Africa, as indeed also between the United States and the region—the United States and Africa.

A relationship that will emanate from this must be a relationship of respect for the integrity and sovereignty of each nation, and also respect for the hopes and aspirations of all of our people.

Thank you very much.

[The prepared statement follows:]

STATEMENT SUBMITTED BY THE SOUTH AFRICAN AMBASSADOR TO THE UNITED STATES, FRANKLIN A. SONN, TO THE TRADE SUBCOMMITTEE OF THE HOUSE WAYS AND MEANS COMMITTEE ON BEHALF OF THE GOVERNMENT OF THE REPUBLIC OF SOUTH AFRICA.

Thank you, Mr. Chairman, for holding this important hearing and for inviting me to testify on behalf of my country.

It is most appropriate that the Subcommittee on Trade examine the issues relating to the growth and economic development of sub-Saharan Africa and I am here to endorse its importance. The Republic of South Africa has already crafted a special relationship with the United States of America through the efforts of Congress and the Binational Commission, a multi-disciplinary forum which convenes in alternate countries every six months. By all accounts, the commission has brought the administrations of the respective countries and the private sectors into a close working relationship to the mutual benefit of all.

This important and far reaching initiative of Congress, the African Growth and Opportunity Act of 1997, can only serve to enhance this relationship. The Government of South Africa is fully supportive of the objectives of the United States Congress and the Administration to assist sub-Saharan African and will therefore continue to promote dialogue wherein opportunities are afforded to advance both Africa and the United States well into the 21st Century. Sub-Saharan Africa, to many United States citizens, is unfortunately seen as a geographical unit and not the 48 countries which, although in many instances are formed into economic groupings and sub-regional organisations, are independent.

The effort of Congress and the Administration represents support for the "African Renaissance" - a dynamic Africa committed to democracy, economic reform, sustainable development, and investment in human capital. Africa, through its economic organisations and individual countries, steadfastly aims to uplift the standard of living of its people and to be economically, politically and socially stable.

An essential element for sustainable growth in our geographical sub-region, is the role of the Southern African Development Community (SADC). This role centres around "partnership in progress" in the upliftment of the lives of approximately 140 million citizens of SADC's twelve member nations. South Africa strives to achieve regional economic development through SADC.

The African Growth and Opportunity Act seeks to assist sub-Saharan African countries to achieve economic self-reliance by expanding U.S. assistance to sub-Saharan Africa's regional and global integration efforts. This initiative is important, as the South African Government's vision for the Southern African region is that of the highest possible degree of cooperation among its members and the rest of the world.

The development of SADC as a regional economic cooperation zone is important both for its member states and a wider process of growth and development in Africa. Also crucial is that, in the political arena, we are converging around democracy and a desire to defend that democracy. Again, we are creating a solid basis for our economic cooperation. At the recent SADC Trade Protocol Forum held in Washington, D.C., South African Trade and Industry Minister Erwin said:

> South Africa cannot be, and I hope never will be, satisfied with a process where we see a flow of investment into South Africa alone because of its present economic strength, and will never be satisfied with investments that are not matched by the same flow of investments into the SADC countries.

There is a fundamental approach that we have to take in regard to the convergence of our economic policy - it has to emerge out of dialogue, respect for the specific positions of member

States, concrete and successful implementation and the profound realisation that our economic success depends on cooperation. The fact that the United States is focusing on sub-Saharan African in a number of initiatives is therefore welcome.

World Bank reports published this month identify a new trend - that sub-Saharan Africa shows distinct signs of "turning the corner" as far as economic development is concerned. In the past few years, at least in some of the countries of the region, annual growth rates of five per-cent have become commonplace.

We support the instruments that the U.S. Congress and Administration propose with respect to market access and, in particular, the Generalised System of Preferences. The proposed establishment of an infrastructure development fund also enjoys our support. We also advocate in favor of the proposed annual meeting between the United States and African countries. We know from our own dialogue with your country in the Binational Commission, chaired by Deputy-President Thabo Mbeki and Vice President Al Gore, that substantial results can be achieved and understanding reached through such productive interaction and communication.

South Africa, as part of the African continent, considers itself an integral part of the global trading system. We are an active supporter of multilateral institutions such as the World Trade Organisation (WTO) and it is within this context that we envisage certain amendments to the framework within which the proposed legislation will operate.

As members of the Subcommittee know, African countries are at varying levels of development. For us, one of the important challenges is to address problems facing the least developed economies. A framework for support of developmental initiatives in Africa cannot but accept this challenge. In this regard, our proposal will seek to distinguish between the conditions imposed on the least developed countries (LLDCs) as conditions for qualifying for development support, and those applied in the case of the less developed countries (LDCs).

With regard to LLDCs, we suggest that they not be subjected to the performance criteria envisaged by the Act. Our fear is that these criteria may prove too stringent for these nations to meet. To assure maximum assistance to those countries, we would like to see the benefits stemming from the bill to be extended to them irrespective of whether they meet the proposed criteria. In addition, we suggest that development aid to the LLDCs be retained at least at current levels, and further that an assurance to this effect be included in the provisions of the Act.

Where it concerns the LDCs, it is our view that the measure of assistance be a catalyst for economic growth on the continent of Africa as a whole. However, we would suggest that the framework for encouraging and assisting LDCs towards economic growth be linked to WTO institutional mechanisms and in accordance with WTO guidelines. To achieve this, we believe that African participants of the intended assistance measures be encouraged to join the WTO, make binding commitments negotiated at this forum, and abide by these commitments.

Moreover, we propose that the structure established to manage the infrastructure investment fund for Africa be specifically tasked with the promotion of U.S. investments in and imports from South Africa.

We believe that the African Growth and Opportunity Act of 1997 will contribute favorably to the economic "Renaissance in Africa". To quote Deputy-President Mbeki, "Those who have eyes to see, let them see. The African Renaissance is upon us - the economic regeneration of the continent."

South Africa will continue with its involvement in this process to promote the economic viability and political stability of sub-Saharan Africa as an attainable and necessary goal. This must be attainted in a cooperative manner not only through inter-African dialogue but through positive interaction between the constituent countries and the U.S.A.

On behalf of the South African Government, we applaud Congress and the Administration for the joint interest shown in Africa, and the intention to assist in building a sub-Saharan Africa which will be prosperous and mutually beneficial to both Africa and the United States.

Chairman CRANE. Thank you, Ambassador.

A question to you, Ambassador Sonn. South Africa is clearly the wealthiest nation in the region at present. You mentioned in your written statement that your country will never be satisfied with investment within its borders alone.

Could you tell us what South Africa is doing to reach out to economically integrate with its neighbors?

Ambassador SONN. South Africa considers itself part of the Southern African Development Unit, what we call SADC, and it is currently in consultation with Lome and with other trade organizations, with the WTO and also with its neighboring states in order to create free trade areas between these nations.

Our basic position is that we must first resolve our situation between ourselves and then reach out to the outside world as a unit, and also from there as a continent.

Chairman CRANE. And a question for any of you to respond to is: What policies or barriers do each of you see that keep greater levels of exports from coming to the United States from Sub-Saharan Africa?

Ambassador KIPKORIR. If I might begin, I think it is all agreed and we all applaud the sentiments already expressed today about the importance of the textile sector as an engine of industrialization and economic growth. This is the means by which most of the ties in the east began. We were just beginning it. We haven't given up hope and it is for that reason that we strongly welcome the initiative, Mr. Chairman, in this bill and the provisions particularly leading to quotas—removal of quotas in textiles.

There is no doubt that we have shown in the little that we have done that we are capable of producing quality goods for the American market. We should be encouraged in that area.

Chairman CRANE. Anyone else want to comment on that?

All right. I will yield to Mr. Rangel.

Mr. RANGEL. His Excellencies, this is a very exciting and important day for me and many of my colleagues. You may have read or noticed that in recent years my country has gone color blind. It is a disease that has struck them just recently, however.

But as we work more closely together, I do hope in your various countries that you remember that we have a lot of villages and towns in this country of people of color, and they are trying to gain the expertise to be able to work with your countries, and I trust that you never get the disease that we recently had. We hope to be that bridge for a stronger working relationship, a better United States, and a better world for all of us to work and live in. And your contributions to that have been very, very meaningful to all of us.

I just hurried from home and they say that even our little black kids are watching C–SPAN today because they heard that you would be on, so thank you for your contribution.

Ambassador SONN. Thank you very much.

Ambassador KIPKORIR. Thank you.

Chairman CRANE. Mr. Houghton.

Mr. HOUGHTON. Thank you, Mr. Chairman. No questions since I missed most of the testimony, but I wanted to thank the Minister and Ambassador Kipkorir, but particularly I wanted to thank my friend, Ambassador Sonn, for being here. Thanks very much for your contribution.

Ambassador SONN. Thanks, Congressman.

Chairman CRANE. Mr. Jefferson.

Mr. JEFFERSON. Thank you, Mr. Chairman.

I would like to express my appreciation for your presence here, but more meaningfully for the participation that you and your governments and your representatives have had in this process of developing the legislation so far, and we are now in a position which portends not only to help U.S. interests but to address the objectives of creating more economic growth and opportunity in Africa as well. And so I appreciate your participation.

I want to ask a question to follow up on something I asked Ambassador Barshefsky this morning. Which of the—of your countries, if either, is interested in the foreseeable future in a free trade agreement with the United States? And what might be the possible timing?

And as a follow-up to that, are free trade agreements more likely to be developed on a regional basis or on a bilateral basis, country-by-country with the United States?

Mr. GEBRE-AB. Well, sir, I would imagine that perhaps it is not a question of either/or in terms of building the free trade relationship with Africa. It could be attempted on the basis of a country-by-country basis. And as countries within Africa also creates regions and subregions of free trade areas, why then, of course, these subregions can also be incorporated into U.S.-African subregional free trade zones.

I would imagine that an approach which leaves open the question and pursues the matter in a flexible way would be the most appropriate approach.

Ambassador SONN. I think I will go with that, that it will happen in both ways. Each country has its own integrity and its own sovereignty and it is, therefore, required by its own taxpayers to enter into treaties on behalf of its own country, to operate within an economic context.

And South Africa is operating within the context of SADC. South Africa is a population of a market of about 42 million. It recognizes that the SADC countries as a whole has a market of 120 million which is, therefore, a more attractive proposition. We are also conscious that in the SADC region, 10 of the 12 countries are full democracies. The other two are becoming democracies. All of them subscribe to a free market system. The growth, the average is 5 percent throughout, and for that reason it is an economic proposition.

However, on the second part of the question, we consider this to be a bill, an act of the Congress of the United States of America, and the extent to which the free trade agreements between our own country and the United States will occur on the ground is therefore a matter for negotiation and that we will enter into once this bill is promulgated by the Congress of the United States of America.

So we welcome it as such, but the terms of the free trade agreement, obviously as the Ambassador also indicated, will be a matter of constant negotiation between two equal partners.

Ambassador KIPKORIR. If I may add my own comments reflecting those of my country, I think a regional approach is probably the route. As I said, we have just begun. We just restored the East African Cooperation or the East African community, which is a region of some 80 million people. But I think the most important thing that has to be done is to enable us to have the capacity to participate in a free trade.

I think that one of the attractions inherent in the bill is the facilitating of capacity building in African countries to enable them to participate in trade negotiations and such matters. So I think a slowly, slowly approach is best. And I welcome most warmly the consultation that has been generated by this bill.

Mr. JEFFERSON. Thank you, Mr. Chairman.

Chairman CRANE. Well, I want to thank all of our witnesses very much for your informative testimony on the African economy and the benefits that you feel increased trade with the United States would have on your countries.

Now I would like to welcome our next panel to testify, which is comprised of representatives of U.S. businesses which are involved in trade with the Sub-Saharan region.

First is David Franklin, president of Sigma One Corporation; Hon. Percy Sutton, chairman of AFRICOM; Ralph Moss, director of government affairs for the Seaboard Corporation; Ralph Mucerino, president of Africa and Middle East Division for the American International Group; and William Carter, president of AT&T Submarine Systems, Inc.

Gentlemen, after you are situated, will you proceed in the order I introduced you, and I will be happy to yield to my distinguished colleague, Mr. Rangel.

Mr. RANGEL. Mr. Chairman, while the witnesses are being seated, may I point out that the gentleman in the brown suit, Mr. Sutton, is one of the people that my mother told me about when I was very young. She said, if you are never going to amount to anything at least associate with people who do. And in that light, I was befriended by Mr. Sutton in my very, very young years out of law school in trying to understand and learn more about politics.

And my method was that if you really jumped and attacked one of the biggest giants, whether you knew anything or not, you got a lot of attention. I got more than I needed but in the course of that we became friends. That was many decades ago, and my mother was right. I hung out with someone that really knew how to do it and I have lived better ever since.

Thank you, Mr. Chairman.

Chairman CRANE. Mr. Sutton, something else he told me earlier today is that Mayor Dinkins was his older brother.

Mr. SUTTON. With the same validity.

Chairman CRANE. Well, gentlemen, in the order I introduced you to sit down, will you start proceeding with your testimony, and try and keep your oral remarks to 5 minutes roughly, but any printed statements will be made a part of the permanent record.

STATEMENT OF DAVID FRANKLIN, PH.D., PRESIDENT, SIGMA ONE CORPORATION

Mr. FRANKLIN. Mr. Chairman, Members of the Subcommittee, I am David Franklin. I am president of Sigma One Corporation in the Research Triangle Park in North Carolina. I want to thank you for the opportunity to testify on the subject of trade between the United States and Sub-Saharan Africa.

I strongly support the African Growth and Opportunity Act, and I commend its sponsors for its relevance to the need of Africa today and for its focus on the private enterprise.

My testimony today is derived from nearly a quarter century of engagement with Africa. At Sigma One Corporation, our global focus is on the business side of agriculture. And being involved with agriculture, our natural concern is for the great majority of poor yet enterprising folk who derive their livelihood from agriculture-based businesses. This bill is good for all the farmers and agribusinesses and enterprises of Africa, and I want to emphasize that it is good for the farmers of America, also.

American business enterprises have much to offer and much to gain from increased trade with African private enterprises. The provisions of this bill are needed to foster business to business partnerships between U.S. business and the emerging new entrepreneurs of Africa. The bill is needed because today most of Africa remains a high cost and high risk environment for private enterprise, be they African or American enterprises.

One of the reasons that costs and risks of doing business in Africa are high is that the infrastructure to support business activity is weak, unreliable, or nonexistent. Past grants and concessional loans from donors and multilateral financial institutions, including our own Agency for International Development, have resulted in poorly maintained and managed transport communication systems and other inadequate basic services. The bill's provision for an infrastructure fund to support private services will not only add to the stock of infrastructure but, importantly, it will promote sustainable operational effectiveness of what is already there, because through the pressures of competition, it will force state-provided services to become more efficient.

African governments must be encouraged to allow the pricing of public services to reflect full cost recovery and profitability. The so-called cheap water, sanitation, electricity, transport and communication systems that are priced at less than the rates needed to service the resulting debts and to maintain the systems end up costing the poor people of Africa themselves more than if they did not have those services at all. These costs to the poor people of Africa arise through inflationary public finance, unreliable services which drive job creating enterprises away from Africa and through diseases from unsafe water and polluted environments.

And while I am on the subject of the poor, allow me to state unequivocally that further removal of the barriers to international trade and investment will benefit the poor of Africa directly as much as it will benefit established businesses. Yes, the benefits for the poor are direct and not a result of trickling down of benefits from better placed enterprises.

Also, I wish to commend you for the recognition in the language of the bill that Africa's manufacturing base is small and weak and, therefore, of very little threat to U.S. industry and to U.S. workers.

And I wish to note that I do come from the State of North Carolina, where textiles and agriculture are very important and where I have heard there is serious concern about the threat. I would say to my fellow North Carolinians that they have very little to worry about. If this is their biggest worry, they don't have much to worry about.

By increasing the value and output from Africa—excuse me. I am going to skip these comments given that I have seen the light here. And I don't often come to Washington to see the light but I have today.

I also wish to praise the sponsors of the bill for the strategy that the bill reflects with respect to the development fund for Africa.

While the Agency for International Development needs to be seriously redesigned, I believe that if we did not—if we saw the bill as competition or a substitute for that agency, we would find that we would have to reinvent a lot of the good things that agency does. So that the spirit of complementarity that is written into the present version of the bill, I believe, is highly commendable.

We need a physical presence in Africa to help us address all of those many high cost and high risk issues of doing business in Africa. Thank you very much.

[The prepared statement follows:]

Statement of David Franklin, Ph.D., President, Sigma One Corporation

Mr. Chairman, Members of the Subcommittee on Trade, I am Dr. David Franklin, President of Sigma One Corporation in Research Triangle Park, North Carolina. Thank you for the opportunity to testify on the subject of U.S. trade with sub-Saharan Africa. I strongly support the "African Growth and Opportunity Act" and I commend its sponsors for its relevance to the needs of Africa today and for its focus on private enterprise. I urge its passage and look forward to its early implementation.

My testimony today, is derived from nearly a quarter century of engagement with Africa -- from the Guinea Gulf to the Indian Ocean and up and down the Nile. I have just returned from six countries in Africa, and I sense a fresh breeze blowing in the direction of private enterprise. This Bill, when enacted, will help the winds to blow steadily into these sails.

At Sigma One Corporation, our global focus is on the business side of agriculture and our natural concern is for the great majority of poor, yet enterprising folk who derive their livelihood from agriculturally based businesses -- production, processing, marketing and retailing of food, fiber and other products. This bill is good for all the farmers and agribusiness enterprises of Africa and the farmers of the United States.

American business enterprises have much to offer and much to gain from increased trade and investment with African private enterprises. The provisions of the Bill are needed to foster business to business partnerships between U.S. businesses and the emerging new entrepreneurs of Africa. The bill is needed because today most of Africa remains as a ***high cost and high risk*** environment for private enterprises -- be they African or American. Costs and risks of doing business in Africa are high, in part, because the infrastructure to support business activity is weak, unreliable, or non-existent. Past grants and concessional loans from donors and the multilateral financial institutions have resulted in poorly maintained and managed transport and communication systems and inadequate basic services. The Bill's provision for an infrastructure fund to support private services will add to the stock of infrastructure resources and, importantly, it will promote sustainability of operational effectiveness, directly in the privately provided services and indirectly through the pressures of competition with the services provided by public enterprises or the States themselves.

Money and increased private participation in the provision of infrastructure services, alone, will not produce effectiveness and efficiency, however. African governments must be encouraged to allow the pricing of public services to reflect full cost recovery and profitability. So called "cheap" water, sanitation, electricity, transport and communications systems that are priced at less than the rates needed to service the resulting debts, to maintain the systems and to generate profits for investors (ostensibly to provide low costs services to the poor) result in higher costs to the poor people themselves, if they receive the services at all. These costs to the poor people of Africa arise through inflationary public finance, unreliable services which drive job creating enterprises away from Africa and through diseases from unsafe water and polluted environments. In fact, subsidized services usually mean no services for the poor, the subsidy inevitably results in limited supply of the services, and this limited supply is captured by the elite. The Bill's emphasis on policy dialogue and on public/private partnerships are therefore commendable.

While on the subject of the poor, allow me to state unequivocally that further removal of the barriers to international trade and investment will benefit the poor of Africa directly as much as they will benefit established businesses. Yes, the benefits for the poor are direct and not a result of trickling down of benefits from the better placed enterprises. For example, we have observed that simple reforms in streamlining trade documentation and eliminating unnecessary regulations in Ghana have significantly increased cross-border trade of traditional food stuffs by petty traders and small farmers. Recent examples of increases in "head-load" trade in Ghana and Tanzania, with their respective neighbors, shows that trade reform improves rural incomes for rural poor farmers and traders and also improves regional food security. The reforms I cite were instituted to promote increased exports from established larger enterprises, yet some of the benefits have accrued directly, in perhaps an unexpected fashion, to the very poor.

Measures that promote trade linkages between the U.S. and Africa will also enhance the gains from trade among and within African countries themselves. Let me, however, emphasize that such beneficial outcomes cannot occur in unstable macroeconomic conditions, rigid foreign exchange regimes or cumbersome administration of trade and customs procedures. These outcomes require sound economy-wide policy frameworks. Therefore, the Bill's provisions for continual consultation on policies are essential.

Also commendable is the recognition in the language of the Bill that Africa's manufacturing base is small and weak and therefore of little threat to U.S. industry and to U.S. workers. Contrary to what isolationists would argue, helping Africa to grow through increased private trade and investment will open markets for our technology and our services and enhance choices for our consumers. For example, in Ghana, since the initiation of the structural adjustment process in 1983, growth has averaged close to 5 percent per year and Ghana's imports have increased from $500 million in 1983 to $1.9 billion in 1994. Of this the U.S. has a 10 percent share and has the opportunity to increase its share of these growing imports. This is true for agriculture as well. Investing and trading in higher value products from African agriculture will also enlarge commercial markets for the bountiful output from American farms.

By increasing the value and output from Africa's fragile agricultural base through trade and investment, we can create jobs and incomes for some of the poorest people in the World, and we can also help create incentives for sound husbandry of fragile environments. The degradation of human life and that of the environment in general throughout Africa is the consequence of perverse trade policies and unstable macroeconomic frameworks that castigate the value of human effort and of natural resources. Such policy conditions extract resources from the rural areas and are disincentives for financial savings and become incentives for extractive activities rather than sustainable husbandry.

These problems cannot be corrected with palliatives such as subsidized inputs and credit for rural areas. What African agriculture needs for sustainable growth are the same policies that will promote an outward orientation of the trade and investment regimes. Thus, the spirit and substance of the "African Growth and Opportunity Act" is long overdue -- it is good business for America and it is what the poor people of Africa need.

I also wish to praise the sponsors of the Bill for the explicit complementarity with the Development Fund for Africa. It is right and just that the Bill not be cast as a substitute for the Development Fund for Africa or as another means for bashing the Agency for International Development. While we must all acknowledge that AID has many problems arising from conflicting mandates and cumbersome management structures, this Bill should not be seen or implemented as a way to circumvent the serious problems with and within the Agency. If the Agency were not there, we would have to re-invent many of the good things that it does effectively through its presence in developing countries. In fact, it is laudable that the Act will direct and encourage renewed efforts by AID in Africa toward "economic and political reform, market incentives and private sector growth, the eradication of poverty and the importance of women to economic growth and development". Specifically important in this regard are the Bill's provisions that the Development Fund for Africa will "promote the long term economic development of sub-Saharan Africa...especially the acquisition of middle-level technical skills for operating modern private businesses and the introduction of college level business education, including the study of international business, finance, and stock exchanges". Trade and investment will further be encouraged by private sector-led growth through the sustained economic reform, privatization programs, and market-led economic activities encouraged by the Bill. Combined with the Development Fund for Africa this will work to link the rural production sectors and the industrial and market centers in Africa as well as increase the technical and managerial capacity of sub-Saharan African individuals to manage the economies of sub-Saharan Africa.

In other fora and other legislation, our nation must improve its foreign assistance apparatus. Until that occurs, this Bill needs some of the explicitly cited actions of USAID, particularly its work on policy reforms in Africa. For example, the work of USAID/Ghana under its Trade and Investment Program has resulted in a five fold increase in nontraditional exports, at least 25,000 jobs that pay above the average wages and strengthened linkages within West Africa. The Act will require this type of activity to enable the potential success of U.S./Africa business partnerships.

Thank you for the opportunity to share these views with the Subcommittee.

Chairman CRANE. Thank you.

STATEMENT OF HON. PERCY SUTTON, CHAIRMAN, AFRICOM TELECOMMUNICATIONS, INC.

Mr. SUTTON. Mr. Chairman, Mr. Crane, Congressman Rangel, Congressman Houghton, and Congressman Jefferson, I am highly honored to be here today. I have heard, as I have sat here, my old friend Jack Kemp, Secretary Kemp, testify here on behalf of this bill. I have heard my mayor, David Dinkins, old friend David Dinkins testify. I see in the room Frank Ferra, a man who some years ago adopted me, younger than I am, adopted me, and we began attending African American Institute conferences. Congressman Houghton, we were together in Egypt recently.

I am for this bill. It is a good bill. With some changes, if enacted, it will be of great value.

I live in Harlem, USA, at 10 West 135th Street, next door to Congressman Rangel. I am an attorney and businessman with my principal offices in Mr. Rangel's congressional district. My businesses are in the fields of radio, television, and cable television and telecommunications. Of all of my businesses and their interests, my principal interest is now as chairman of AFRICOM Telecommunications, Inc., a mobile satellite telecommunications system hopefully now in the last period of development before launching and providing handset—satellite to a handset or other linkage to the entirety of the continent of Africa.

I became aware of this bill in talking to Congressman Rangel, who invited me to come here today. And once again, I am most grateful to my Congressman for taking yet another action to advance the interests of his constituents with also—while also advancing the interests of this Nation.

I am grateful also that this is a bipartisan activity. My first visit to Africa when I was a youngster of 13 years of age traveling with my father, a businessman and academic, who at that time was interested in developing trade between our home State of Texas and the continent of Africa. I have been involved in Africa—on the African continent as a businessman for more than 35 years, and during all of those years I have yearned for that day when the Nation of my birth, the United States of America, would develop a comprehensive trade policy with regard to the African continent, and Sub-Saharan Africa in particular.

During the intervening years, I have invested in a variety of businesses, both in Africa itself and here in the United States with Africa being the target consumer area.

I am firmly of the belief that some of my failures might have been successes had there been a more attentive and sensitive U.S. policy with regard to the African continent.

As a businessman, I experienced the difficulty of obtaining financing for African ventures, partly—and particularly, rather, for infrastructure projects in Sub-Saharan Africa. Banks and financial institutions typically denigrate African countries. They lump them together as bad investments, too poor, too unproductive or too unstable to be trusted. The facts show otherwise.

In fact, Sub-Saharan Africa's rate of return on investment is among the highest in the world. Africa is not the dark, impenetrable monster characterized by some misguided and misinformed institutions and individuals.

I am particularly pleased, Mr. Chairman, that the African Growth and Opportunity Act before you includes the development of infrastructure and equity funds. The act reaffirms our Nation's belief in Africa's promise.

As chairperson of the AFRICOM telecommunications system, I have devoted a great deal of time and resources to placing telecommunication satellite over the continent of Africa. And my colleagues, in our effort to enhance the economy of Africa and the economy of the United States, have found that ofttimes there was resistance. However, each of us believes that no nation can come to prominence, no nation can play a meaningful role in the world society, without having a meaningful infrastructure. So we see our telecommunications as one form of infrastructure.

This bill, if enacted, will provide access to investors who now would not invest in Africa. It will be beneficial both to the United States and to Africa.

Let me close by saying that I had much more to say until the light came on, and I must say to you, Mr. Chairman, that having been in government for many, many years in New York, I have always said it is like as a trial lawyer going to a jury, don't ever go after lunch: The crowd isn't there, not all the judges are present, the hearing doesn't go too well, and you are rushed. And sometimes your throat gets dry, as mine has.

Thank you very much, Mr. Chairman. Thank you distinguished Members.

[The prepared statement follows:]

STATEMENT
OF
PERCY SUTTON
BEFORE THE SUBCOMMITTEE ON TRADE,
OF THE COMMITTEE ON WAYS AND MEANS,
REGARDING EXPANDING U.S. TRADE WITH
SUB-SAHARAN AFRICA, APRIL 29, 1997

CHAIRMAN CRANE, CONGRESSMAN RANGEL, CONGRESSMAN MCDERMOTT, CONGRESSMAN JEFFERSON, CONGRESSMAN HOUGHTON AND DISTINGUISHED MEMBERS OF THE SUBCOMMITTEE ON TRADE OF THE WAYS AND MEANS COMMITTEE, I THANK YOU FOR THE OPPORTUNITY TO SPEAK, AT THIS VERY IMPORTANT AND TIMELY HEARING ON THIS BILL WHICH WILL PROVIDE ENHANCED OPPORTUNITIES FOR U.S. TRADE WITH SUB-SAHARAN AFRICA.

I WISH ALSO TO THANK THE CHAIRMAN AND MEMBERS OF THE AFRICAN TRADE AND INVESTMENT ADVISORY GROUP.

MY NAME IS PERCY SUTTON. I LIVE AT 10 WEST 135TH STREET, IN THE VILLAGE OF HARLEM, U.S.A.

I AM AN ATTORNEY AND BUSINESSMAN, WITH MY PRINCIPAL OFFICES IN MR. RANGEL'S CONGRESSIONAL DISTRICT.

MY BUSINESSES ARE IN THE FIELDS OF RADIO, TELEVISION AND TELECOMMUNICATIONS.

OF ALL OF MY BUSINESS INTERESTS, MY PRINCIPAL INTEREST NOW IS THAT OF CHAIRMAN OF AFRICOM TELECOMMUNICATIONS, INC., A MOBILE SATELLITE TELECOMMUNICATIONS SYSTEM, HOPEFULLY NOW IN THE LAST PERIOD OF DEVELOPMENT BEFORE LAUNCHING, AND PROVIDING HANDSET TO SATELLITE TO HANDSET, OR OTHER LINKAGE, TO THE ENTIRETY OF THE CONTINENT OF AFRICA, - - AND THE WORLD.

I BECAME AWARE OF THIS HEARING ON THIS VERY IMPORTANT BILL DURING A DISCUSSION WITH OUR BRILLIANT AND HIGHLY EFFECTIVE CONGRESSMAN, AND FRIEND, THE HONORABLE CHARLES B. RANGEL.

AND, ONCE AGAIN I AM MOST GRATEFUL TO CONGRESSMAN RANGEL, FOR TAKING YET ANOTHER ACTION TO ADVANCE THE INTEREST OF HIS CONSTITUENTS, WHILE ALSO ADVANCING THE INTEREST OF THIS NATION.

I FIRST VISITED AFRICA WHEN I WAS A YOUNGSTER OF 13 YEARS; TRAVELING WITH MY FATHER, A BUSINESSMAN AND ACADEMIC, WHO, AT THAT TIME, WAS INTERESTED IN DEVELOPING TRADE BETWEEN OUR HOME STATE OF TEXAS AND THE CONTINENT OF AFRICA.

I HAVE BEEN PERSONALLY INVOLVED ON THE AFRICAN CONTINENT, AS A BUSINESSMAN, FOR MORE THAN THIRTY-FIVE YEARS, AND DURING ALL

OF THOSE YEARS I HAVE YEARNED FOR THAT DAY WHEN THE NATION OF MY BIRTH, THE UNITED STATES OF AMERICA, WOULD DEVELOP A COMPREHENSIVE TRADE POLICY, WITH REGARD TO THE AFRICAN CONTINENT AND SUB-SAHARAN AFRICA, IN PARTICULAR.

DURING THE INTERVENING YEARS, I HAVE INVESTED IN A VARIETY OF BUSINESSES; BOTH IN AFRICA ITSELF AND HERE IN THE UNITED STATES, WITH AFRICA BEING THE TARGET CONSUMER AREA.

I AM FIRMLY OF THE BELIEF THAT SOME OF MY FAILURES MIGHT HAVE BEEN SUCCESSES HAD THERE BEEN A MORE ATTENTIVE AND SENSITIVE U.S. POLICY WITH REGARD TO THE AFRICAN NATIONS.

AS A BUSINESSMAN, I EXPERIENCED THE DIFFICULTY OF OBTAINING FINANCING FOR AFRICAN VENTURES, PARTICULARLY FOR INFRASTRUCTURE PROJECTS IN SUB-SAHARAN AFRICA.

BANKS AND FINANCIAL INSTITUTIONS TYPICALLY DENIGRATE AFRICAN COUNTRIES. THEY LUMP THEM TOGETHER AS BAD INVESTMENTS - - TOO POOR, TOO UNPRODUCTIVE OR UNSTABLE TO BE TRUSTED. THE FACTS SHOW OTHERWISE.

IN FACT, SUB-SAHARAN AFRICA'S RATE OF RETURN ON INVESTMENT IS AMONG THE HIGHEST IN THE WORLD.

AFRICA IS NOT THE DARK, IMPENETRABLE MONSTER, CHARACTERIZED BY SOME MISGUIDED AND MISINFORMED INSTITUTIONS AND INDIVIDUALS.

I AM PARTICULARLY PLEASED THAT THE AFRICA GROWTH AND OPPORTUNITY ACT BEFORE YOU, INCLUDES THE DEVELOPMENT OF INFRASTRUCTURE AND EQUITY FUNDS. THE ACT REAFFIRMS OUR NATION'S BELIEF IN AFRICA'S PROMISE.

AS CHAIRMAN OF AFRICOM, I HAVE DEVOTED A GREAT DEAL OF TIME AND RESOURCES TO PLACING THE AFOREMENTION TELECOMMUNICATIONS SATELLITE OVER THE CONTINENT OF AFRICA, I AND MY COLLEAGUES SEE IT AS OUR EFFORT TO ENHANCE THE EASE AND ACCESSIBILITY OF COMMUNICATIONS IN AFRICA. WE SEE IT ALSO AS A BUSINESS VENTURE THAT WILL BENEFIT AFRICA, WHILE MAKING MONEY FOR AMERICANS AND AFRICANS ALIKE.

WITHOUT MODERN COMMUNICATIONS BETWEEN THE DISTANT POINTS OF THE CONTINENT AND THE WORLD, AFRICA CANNOT PARTICIPATE AS A COMPETITIVE PLAYER IN TODAY'S BUSINESS ENVIRONMENT.

THUS I AM HIGHLY ENCOURAGED AND INSPIRED BY THE BOLD INITIATIVES THAT YOU HAVE PUT FORTH IN THE AFRICA GROWTH AND OPPORTUNITY ACT. IT REVERSES THE U.S. COLD WAR POLICY OF CONTAINMENT THAT FOSTERED

DISTRUST AND DISTANCE AMONG THE U.S. AND MANY AFRICAN COUNTRIES, TO A RELATIONSHIP BUILT ON MUTUAL RESPECT, AND INTERDEPENDENCE.

THIS BILL YOUR HANDWORK, CHARTS A NEW AND HIGHLY POSITIVE DIRECTION IN OUR BILATERAL RELATIONS WITH AFRICA. IT CREATES AN OPPORTUNITY FOR AMERICAN TO BECOME STRONG AND MEANINGFUL PARTNERS IN AFRICA'S DEVELOPMENT

U.S. PRIVATE SECTOR PARTICIPATION IN IMPROVING AFRICA'S INFRASTRUCTURE: ROADS, ELECTRICITY, GAS, TELECOMMUNICATIONS, WATER SUPPLY - - OFFERS ENORMOUS OPPORTUNITY BOTH TO THE INVESTORS AND TO AFRICAN NATIONS.

APPROXIMATELY 1160 PRIVATE INFRASTRUCTURE PROJECTS HAVE BEEN DEVELOPED AROUND THE WORLD SINCE 1984, BUT ONLY 80 OF THESE PROJECTS ARE IN SUB-SAHARAN AFRICA.

TO ADDRESS ECONOMIC IMBALANCES AND THE PAUCITY OF INFRASTRUCTURE DEVELOPMENT AND FOREIGN DIRECT INVESTMENT IN AFRICA. MANY AFRICAN GOVERNMENTS HAVE INTRODUCED ENCOURAGING MACRO-ECONOMIC MEASURES, AND LEGAL FRAMEWORKS, TO CREATE SUSTAINABLE ENABLING ENVIRONMENTS FOR PRIVATE INVESTMENT.

THESE MEASURES INCLUDE PRIVATIZATION AND TRADE LIBERALIZATION SCHEMES, THE LIFTING OF EXCHANGE CONTROLS, INTRODUCTION OF MARKET-DETERMINED CURRENCY RATES AND INCREASED NUMBER OF STOCK MARKETS, TOGETHER WITH OTHER BROAD INITIATIVES DESIGNED TO ACCELERATE GROWTH AND ENHANCE ECONOMIC SELF RELIANCE.

THIS BILL PROVIDES A CHANGE IN THE WIND, WITH REGARD TO INTERNATIONAL INVESTORS ATTITUDES TOWARDS SUB-SAHARA AFRICA.

AS AN ASIDE, AS TO ATTITUDES TOWARDS INVESTMENTS IN AFRICA, WERE YOU TO WALK IN MY SHOES OVER THE LAST THREE YEARS, YOU WOULD HAVE EXPERIENCED, DEFEAT AFTER DEFEAT AND REJECTION AFTER REJECTION, BY LEADING INVESTMENT COMPANIES IN THIS NATION, AS I AND MY COLLEAGUES, SOUGHT TO RAISE PRIVATE FUNDS HERE IN AMERICA, TO JOIN WITH AFRICAN-BASED FUNDS IN LAUNCHING THE AFRICOM TELECOMMUNICATION SATELLITE, A SATELLITE THAT IS TO BE BUILT IN AMERICA BY AN AMERICAN COMPANY, INSURED BY AN AMERICAN COMPANY AND LAUNCHED AND OPERATED BY AN AMERICAN COMPANY.

IT WAS NOT THE ABSENCE OF TELE-COMMUNICATIONS EXPERTISE, THAT CAUSED OUR REPETITIOUS AND DEFEATS; IT WAS THE OFTEN EXPRESSED BELIEF THAT THE AFRICAN CONTINENT IS NOT A MAINSTREAM ECONOMIC PLAYER FROM WHICH CONSISTENT AND BOUNTIFUL RETURNS ON INVESTMENTS COULD BE HAD. THAT BELIEF IS WRONG.

I AM CONVINCED THAT HAD THIS, YOUR AFRICA TRADE BILL, AND THE ATTENDANT BENEFITS, BEEN IN PLACE FROM 1994, TO THE PRESENT, AMERICAN INVESTORS WOULD HAVE HAD A MORE POSITIVE ATTITUDE TOWARDS OUR PROJECT, AND WE WOULD HAVE BUILT, INSURED AND LAUNCHED, OUR $600 MILLION DOLLARS PLUS, MOBILE SATELLITE TELEPHONE SYSTEM, COVERING THE CONTINENT OF AFRICA, AND HELPING TO ESTABLISH THE COMMUNICATIONS INFRA STRUCTURE, SO ESSENTIAL, TO THE FURTHER ECONOMIC AND SOCIAL STRUCTURE TO THE NATIONS OF AFRICA.

IN CONCLUSION, PERMIT ME AGAIN TO THANK YOU, THE AUTHORS OF THIS LEGISLATION, CHAIRMAN PHILIP CRANE, CONGRESSMAN CHARLES RANGEL, CONGRESSMAN JIM MCDERMOTT, CONGRESSMEN JEFFERSON AND HOUGHTON, AND THE BIPARTISAN CONGRESSIONAL CAUCUS FOR AFRICAN TRADE AND INVESTMENT.

U.S. LEADERSHIP IS CRITICAL TO AFRICA'S ECONOMIC AND POLITICAL RENAISSANCE. AMERICA, AS THE WORLD'S GLOBAL LEADER AND HOME TO OVER 30 MILLION CITIZENS OF AFRICAN DESCENT, IS WELL POSITIONED TO ASSUME THIS IMPORTANT ROLE. I AM CONVINCED THAT THIS LEGISLATION IS A GIANT STEP FORWARD AND I THANK YOU FOR THAT WHICH YOU DO.

Chairman CRANE. I think that pitcher has water in it, Mr. Sutton.

Our next witness is an old and dear friend, Ralph Moss. Ralph, proceed.

STATEMENT OF RALPH L. MOSS, DIRECTOR, GOVERNMENT AFFAIRS, SEABOARD CORPORATION

Mr. MOSS. Mr. Chairman and distinguished Members, my name is Ralph L. Moss. For the past 5 years, I have had the pleasure of serving as director of government affairs for Seaboard Corporation, an American international agribusiness and transportation company. Seaboard is heavily invested in and engaged on the African continent. In fact, for over 30 years Seaboard has sought out and pursued opportunities in agriculture, grain and feed processing, ocean transportation, and we have survived and, indeed, prospered.

In our field I do not believe that there is another American company with holdings and on-the-ground investments larger than our own. Seaboard, under the direction of our president, Harry Bresky, and our executive vice president, Joseph Rodrigues, has long viewed Africa being rich in both potential and opportunity. And the company has, thus, not been afraid to put its money and manpower on the ground.

I am pleased to report that Seaboard's vision and risk has been justly and amply rewarded, and we continue to look for new and expanded investment opportunities in Sub-Saharan Africa.

I have enclosed in my statement a profile of Seaboard Corporation.

All of the above having been said and true, let me not mislead you or create any false impressions. Doing business in Africa has not been easy and Seaboard has succeeded only because we have endured, subdued, and overcome all the difficulties, obstacles, and travesties which are, alas, the sad realities of doing business on the continent.

I need not belabor the litany of these encumbrances as they are all too well known to any company that has dared an African exercise. Unfortunately, many American companies have been scared off by such horror stories. The USA has a very small, almost negligible, presence in corporate Africa, except, of course, for those states which have been found rich in oil and natural gas.

Alas, this then has left most interaction between America and Africa in the hands of missionaries, aid workers, diplomats, and World Bankers, each of whom, no doubt, faithful to their assigned tasks and heavenly and immortal masters but not much darn good for business.

I would contend that if the USA is to have, at last, a meaningful and positive effect and affect upon Africa, corporate America must take the lead. We must get ourselves on the ground, and search out and find the myriad opportunities there calling out for our special American intellectual and technological genius.

Thus, it is with great pleasure that I come now to endorse the African Growth and Opportunity Act. This is a most significant and right minded piece of legislation dealing with Africa to come out of the Congress which I can recall, and I have been dealing in African affairs now for over 20 years.

It is time that Africa be treated as an adult rather than as a dependent stepchild, and held responsible for her behavior and growth just as any other adult nation or continent of nations is so held. Neither aid, prayer or diplomacy have done a great deal to relieve the lamentations and suffering of the African peoples. Nor have they done much to disallow, uproot, and suppress the kleptomaniacal greed and bumbling incompetence of the parade of infamy that has been continental leadership.

Mr. Chairman and cosponsoring Members, you are truly to be commended for giving Africa the opportunity to participate in a program that can lead to sustained economic growth, democratic development, and true freedom. This, I believe, is the first such adult bill, one which offers adult incentives and responsibilities to individual African nations but one which also offers tangible and achievable rewards.

This bill also offers necessary encouragements to corporate America, realizing that some incentives and protections hereto are needed if a new era of real investment is now to be opened and achieved with Africa.

Attracting solid American investment will not be easy for the Africans. As we have all heretofore acknowledged, Africa has not been the easiest place to do business, especially for American companies.

Let me be clear. There can be no real economic recovery and sustained growth in a nonfree and nondemocratic state. Further, African governments must now fully open up their economies and provide a climate which truly welcomes, encourages and protects free capital investment and free markets. Until this has become the reality, no significant American investment will flow into Africa, this bill notwithstanding.

Again, Mr. Chairman, I welcome the opportunity to endorse the bill and know that Seaboard will be in Africa, no matter what, and we will work with you in this endeavor to make it a reality.

[The prepared statement and attachment follow:]

Statement of Ralph L. Moss, Director, Government Affairs, Seaboard Corporation

Mr. Chairman and distinguished Members:

My name is Ralph L. Moss. For the past five (5) years I have had the pleasure of serving as the Director of Government Affairs for Seaboard Corporation, an American international agri-business and transportation company.

Seaboard is heavily invested in, and actively engaged on the African continent: In fact, for over thirty (30) years Seaboard has sought and pursued opportunities in agriculture, grain and feed processing and ocean transportation, and we have survived and, indeed, prospered.

In our field I do not believe that there is another American company with holdings and on the ground investments larger than our own. Seaboard, under the direction of our president Mr. Harry Bresky and our executive vice president Mr. Joseph Rodrigues has long viewed Africa as being rich in both potential and opportunity, and the company has thus not been afraid to put its money and manpower on the ground.

I am pleased to report that Seaboard's vision and risk has been justified and amply rewarded, and we continue to look for new and expanded investment opportunities in sub-Saharan Africa.

I am enclosing a profile of Seaboard Corporation in my written statement.

All of the above having been said and true let me not mislead you, or create any false impressions; doing business in Africa has not been easy, and Seaboard has succeeded only because we have endured, subdued and overcome all of the difficulties, obstacles and travesties which are, alas, the sad reality of doing business on the continent. I need not belabor the litany of these encumberances as they are all too well known to any company that has dared an African exercise.

Unfortunately most American companies have been scarred off by such horror stories. The USA thus has a very small, almost negligible presence in corporate Africa, except, of course, in those states which have been found rich in oil and natural gas. (And this so-called good fortune has surely proven to be as much a curse as a blessing in almost every instance!) Couple this with the fact that we had but one (1) colony on the continent, the steamy and now fallen Liberia and you see that both our exposure to, and knowledge of Africa is, indeed, very limited.

Alas, this, then, has historically left most inter-action between America and Africa in the hands of missionaries, aid workers, diplomats and World Bankers, each of whom, no doubt, faithful to their assigned tasks and Heavenly and mortal masters, but not much darn good for business!

I would contend that if the USA is, at last, to have a lasting and meaningful positive affect and effect upon Africa corporate America must take the lead; we must get ourself on the ground, and search out and find the myriad opportunity there calling out for our special American intellectual and technological genius. Africa knows and respects the American prowess and wants to share our dream. We, fortunately, are not the French, the Brits or any of the other buccaneering colonizers and plunderers who laid the seeds of continental destruction. Thus, we can, largely, come in fresh, and, I believe, be trusted for ours is the economic miracle which all other great nations have envied and copied.

Thus it is with great pleasure that I come now to endorse the African Growth and Opportunity Act. This is the most significant and right minded piece of legislation dealing with Africa to come out of the Congress which I can recall, and I've been active in African affairs for over twenty (20) years. It is time that Africa be treated as an adult rather than as a dependent step-child, and held responsible for her behavior and growth just as any other adult nation or continent of nations. Neither aid, prayers and diplomacy have not done a great deal to relieve the lamentations and suffering of the African peoples; nor have they done much to disallow, uproot and suppress the kleptomanical greed and bumbling incompetence of the parade of infamy that has, alas, been continental 'leadership'.

Mr. Chairman, and co-sponsoring Members you are truly to be commended for giving Africa the opportunity now to participate in a program that can lead to sustained economic growth, democratic development and true freedom. This is, I believe, the first such adult bill; one which offers adult incentives and responsibilities to individual African nations, but one which also offers adult, i.e., tangible and achievable rewards.

This Bill also offers necessary encouragements to corporate America, realizing, realistically, that some incentives and protections hereto are needed if a new era of real investment is going to be now opened between our nation and Africa. Indeed, U.S. companies will, too, have to behave as adults, facing up to the challenge that is Africa, unafraid of getting their feet or fingers wet or singed. No other continent on earth offers the raw opportunities that Africa does today but corporate America has largely turned a blind eye.

We too, then, must share some of the blame for the rape and pillage of Africa. If American companies had been more visibly on the scene I dare say that the story of Africa might not be so sad. We have a certain ethic, a culture, if you will, that would not have stood quietly by as the plunder, both indigenous and foreign continued. The American corporate genius is such that we do not have to rape and steal for we know that the spoils of ill-gotten gain come most often to naught. Our sins are, alas, those of ignoration and omission --- we largely ignored, Africa and omitted her from our corporate planning and prospect.

Unfortunately we have done so at our own peril and risk. Africa is too vast and important a continent to ignore and avoid. On my several trips to the continent each year it never fails to cause me wonder as to why I see Europeans, southeast and sub-continent Asians, Latin and south Americans, peoples from the former CIS, etc., in such great and increasing numbers and so few Americans, either tourists or businessmen and women.

(And here, I am afraid, that too many African governments seek first the American tourist dollar rather than the investment dollar. This is, of course, the reverse of what the order should be. This regrettably, has been, I suspect, a conscious decision on the part of authoritarian and corrupt governments. Tourists come and go, usually quickly and quietly, largely unconcerned about violations of human, democratic and economic rights, as long as they don't happen to them. Business invest- vestment, on the other hand, tends to be more permanent, and (American) business people tend to become boisterous and litigious when duped, cheated or otherwise wronged.

The tourist dollar is better than no dollar at all, but it is fickle and cannot thus be depended upon. Tourists, American or otherwise tend to flee at the first signs of peril, boredom or loss of chic.)

Serious and responsible African governments, and I put emphasis upon the words *serious* and *responsible* as not all governments on the continent are either serious and/or responsible, or, indeed, to be taken as such, must then now seek the investment dollar if they are to grow and prosper.

Attracting solid American investment will not be easy for the Africans. As we have all heretofore acknowledged, Africa has not been the easiest place to do business, especially for American companies. We largely do not know the continent, and what little we do know, or think that we know is ofttimes negative. Let me not mince words, Africa has, itself, not made doing business in Africa very attractive. This is a hard but very real and present truth.

Corruption, crime, disease and the lack of an elemental infra-structure, to name but few of the many perils, have tended to be seriously off-putting to the potential American investor. There are too many far easier places to invest ones' money; countries and continents where the risks are decidedly less pronounced. Add to this a certain cavalier arrogance and nonchalance on the part of certain African governments, and a lack of written and accepted commercial code(s) or honest legal, judicial or adjudicatory process and you have all the warning signs of danger: ***You enter at your own risk.***

Seaboard has learned this from its vast and, sometimes, weary experience on the continent. We have or have had operations in most of the ' garden ' states of Africa: Liberia, Sierra Leone, Nigeria, and Zaire; and our have familiarity with most other west African states through our Trading and Shipping department. In our thirty (30) some odd year experience we have seen and heard a great deal. We are both amazed and appalled by our long Africa tenure. Nevertheless, we are still there, hopeful both at the prospect and potential for change and advancement.

Seaboard believes that this Bill, the African Growth and Opportunity Act can surely help to bring about, finally, the right incentive and formula for positive change and advancement on the continent. This Bill offers incentives to both American companies, and to African governments; both will be able to reap the benefits of same. However, it wisely also provides a clear criteria for the African governments to adhere if they are to be eligible for participation. This is both good and essential.

We believe that it is time to treat the Africans as full adult partners; liable to the same obligations and responsibilities as all other players in global business. Ethical codes, sound international business practices and protections must be adopted and observed. Governments must make measurable and steady progress toward democratization and free market systems.

Let us be clear, there can be no real economic recovery and sustained growth in a non free and Non-democratic state. Further, African governments must now fully open up their economies and provide a climate that truly welcomes, encourages and protects free capital investment and free markets.

Until this is become the reality no significant American investment will flow into Africa, this Bill notwithstanding.

Seaboard and those other American companies that have braved the continent are indeed tired of the constant battle that is doing business in Africa. Some of the problem is, indeed, out of the control of the African governments; our so-called European allies cause their fair share of mischief, and actively work to keep or shut us out of what they view to be ' their ' markets. Foreign companies are not held to the same high ethical, i.e., anti-corruption standards which we endure, and foreign governments, especially some former European colonizers brazenly act to protect their corporate progeny, much in violation of the letter and spirit of so-called free trade. Ofttimes this untoward behavior has been encouraged by certain African governments even when it has been clearly to their disadvantage.

If Africa is now to move up into the ranks of the commercially and economically viable nations of the world, to become an attractive investment destination for American capital she must begin to act in an adult, i.e., responsible manner. Yes, the continent requires much assistance, but decades of financial assistance, albeit in the form of foreign aid have done little but exacerbate the myriad problems and encourage greater dependency and inexcusable infantile delinquent behavior.

Serious American and other foreign investors have long ago grown weary of the excuses offered up by corrupt and non-democratic regimes as to why their countries have stagnated and degenerated. No longer will the wicked history of colonization, or the fact of the relative youthfulness of independence suffice. Most African countries have now been independent for over thirty (30) years, and, alas, most have squandered their natural resource endowment(s), and the largesse that has been western aid. Through their renegade and rampant corruption they have scarred off much potential American and other foreign investment.

I cannot recall accurately how many times I am asked by other major American companies, How can Seaboard possibly do business in Africa? And why do you bother?

We do business in Africa because of the tremendous opportunities which we see all over the continent. Africa is the last real ' untouched ' growth market on the globe; Seaboard recognized this fact some thirty (30) years ago and under the leadership of Mr. Harry Bresky we have successfully established ourselves there. Steve Bresky, Harry's son and heir also shares his father's passion and enthusiasm for Africa so I would assume that our involvement on that continent will only continue to expand.

This Bill will do much to assist and encourage further American investment and productive corporate presence in Africa as it will firmly commit our government to a partnership with those African countries who are striving to do the right thing. There are such countries, but, alas, too often their good example is drowned out by the venality of the Zaires, Sudans and Somalias of Africa. Enactment of this Bill will thus raise the visibility level of those African states who are committed to democratic reform and free market capitalism.

One such state which we believe is truly committed to reform is Mozambique. Last year Seaboard bought a flour, maize and feed mill from the government through an open tender. I must say that this was the cleanest privatization process which I have ever seen in Africa. Throughout the process was wholly transparent and we received cooperation and encouragement from the highest levels of the government. We were, and are most impressed with the sincerity of the Mozambique government and its desire to do what is necessary and right to open up its markets and undertake a program of democratic reform.

Mozambique has risen from a bankrupt Marxist past to become a new democratic capitalist state, and she is prospering. Each time that I travel to Maputo, and, of late this has been almost once each month, I see and hear more foreign investors. To my pleasure I can report that this number includes now many American faces and voices, representing companies large and small. This is only proves that if the governments are willing to make the necessary reforms they will attract both interest and investment.

Mozambique still has reforms left to be made, but she has earnestly committed herself to this path. Her government is now composed of earnest young democrats who know that the old ways no longer work, and who also know that if their country is truly to develop and modernize it will have to aggressively pursue and attract foreign investment. They know that same foreign investment translates into jobs for their people, and expanded economic activity and recovery.

Mozambique also realizes that to attract and retain foreign investment she must create and diligently maintain a proper investment climate. Corruption has been checked and is being stamped out, and the rule of law has been firmly established and enforced.

There cannot be large scale and enduring investment if there is rampant crime and wholesale lawlessness. This is, alas, a lesson which many of Mozambique's more richly endowed and prosper- ous neighbors must still learn.

Thus, it is only fair that Mozambique now qualify to participate in, and benefit from the provisions of this Bill. Perhaps she can serve as inspiration to her neighbors.

In conclusion let me again state that Seaboard is very pleased to come before you to endorse this important Bill. It represents a new thinking on African development, and provides African states with a real chance to grow into a meaningful trade and investment relationship with the USA, and American companies. It thus provides a growth opportunity for both America and Africa; a partnership that is mature in its requirements, and rich in its potential.

Seaboard would look forward to working with you in the passage and realization of the Bill.

Thank you Mr. Chairman.

Ralph L. Moss

29 April, 1997
Washington, D.C.

SEABOARD PROFILE

Seaboard Corporation, founded in 1918 in Kansas (USA), today is a diversified international agribusiness and transportation company with about USD 1.5 billion in annual revenues. Seaboard is a public company with its common stock traded on the American Stock Exchange under the symbol "SEB".

In the United States, Seaboard is engaged in:

- Integrated Poultry Production
- Integrated Pork Production
- Commodity Merchandising
- Shipping

Overseas, the company, engages in:

- Flour & Maize Milling (including operation of grain storage and discharge facilities)
- Baking
- Commodity Merchandising
- Bulk Cargo Ocean Transportation
- Containerized Ocean Transportation
- Fruit & Vegetable Growing and Processing
- Shrimp Farming and Processing
- Animal Feed Production
- Polypropylene Sack Manufacturing
- Electric Power Production
- Sugar and Citrus Production and Processing
- Poultry and Hog Production and Processing

The Company's operating divisions fall into three main categories, namely:

1) The diversified Food Production and Processing Business includes poultry, baking, produce and seafood, commodity merchandising, pork, flour and feed milling:

- The commodity merchandising division sources and sells commodities throughout the Americas, Europe, West and South Africa with Seaboard owned and Seaboard chartered ships.
- The flour and feed milling division is comprised of flour mills located in South America, the Caribbean, Africa and feed mills located in South America and Africa.
- The poultry division produces a wide variety of fresh, further processed and fully cooked chicken products with sales in excess of 750 million pounds per year.
- The baking division, through Holsum Bakers and Seaboard Bakeries, is a leading supplier of fresh baked and sweet goods throughout the Caribbean.

- The produce division through Chestnut Hill Farms produces and markets a wide variety of fresh and processed fruits, vegetables and shrimp in the United States. Seaboard produces shrimp in Honduras and Ecuador and salmon off the coast of Maine.
- The Seaboard Farms, pork division, operates a vertically integrated hog production and processing company in Guymon, Oklahoma. This company produces over 400 million pounds of pork products per year.
- A sugarcane production, sugarcane milling, citrus production and juice processing facility in Argentina.

2) Ocean **Transportation Business** includes a containerized ocean liner service and a fleet of bulk cargo carriers:

- Seaboard Marine operates an ocean liner service for containerized cargo between the United States and major ports throughout the Caribbean and South and Central America. This business, based in the Port of Miami, is a leading shipper of containerized cargo between Miami and the Caribbean Basin.

- Seaboard also owns and operates seven bulk cargo carriers, which are used extensively in the Company's commodity merchandising and overseas flour and feed milling businesses.

3) **Other Businesses** include:

- two power generation plants in the Dominican Republic;
- a residential and commercial construction company in Nigeria;
- a textile company in the United States; and
- a short line railroad in the United States.

Seaboard Group has significant technical qualifications and grain terminal experience:

- Seaboard owns and operates corn and wheat flour milling operations throughout Africa, South America and the Caribbean. Each mill operates a grain storage facility, which is utilized to store grain used in the milling process. The mills also provide grain storage to third parties in an effort to better utilize the facilities and to allow for grain merchandising opportunities. In many locations Seaboard also utilizes Seaboard owned jettys that are managed by Seaboard employees experienced in the management of port terminals.

- In Mozambique, Seaboard, along with other Mozambican and foreign companies, recently acquired Mobeira SARL via the Mozambique privatization program. Mobeira is a 200 MT/day wheat and 70 MT/day corn milling operation located in Beira, Mozambique. Mobeira has 12,160 MT of bulk storage capacity currently available. Further, Mobeira has 13,000 MT of additional unusable bulk grain storage that may be rehabilitated. This grain storage facility is strategically located to permit coordination with the proposed port storage and discharge facility. Through rail and truck access, the ability to use both storage facilities will dramatically increase the efficiency of the proposed grain terminal operation.

- In Zaire, Seaboard owns a flour mill with daily wheat milling capacity of 720 MT in addition to 27,000 MT of bulk grain storage. Although the port is owned and operated by the State, our mill is responsible for coordinating and implementing all phases of the logistics involved in discharging wheat through the port facilities.

- In Nigeria, Seaboard owns a flour mill with daily wheat milling capacity of 750 MTS and a 240 MT corn mill with total grain storage of 45,000 MT. The discharge facility on the Escravos River is owned and operated by a Seaboard subsidiary.

- In Sierra Leone, Seaboard owns a flour mill with daily wheat milling capacity of 150 MTS and 8,500 MT of bulk grain storage. The mill utilizes the government owned quay , but is responsible for discharging.

- In Puerto Rico, Seaboard owns a flour mill with daily wheat milling capacity of 220 MTS with grain storage of 17,000 MT. The discharge facility is privately owned and shared with another grain processor.

- In Ecuador, Seaboard owns a flour mill with daily wheat milling capacity of 380 MTS with grain storage of 24,500 MT. We own and operate the discharge facility located on company owned land on the Guyas River. Seaboard is also actively involved in the privatization of the public grain terminal and anticipates making a formal bid to operate the facility when it is offered for public tender sometime within the next year.

- In Guyana, Seaboard owns a flour mill with daily wheat milling capacity of 220 MTS with grain storage of 8,800 MT. The discharge facility, located on the Demerrera River, is also owned and operated by Seaboard.

Seaboard also owns feed mills in the United States with grain storage capacity in aggregate of over 100,000 MTS.

Seaboard employees were actively involved in the design and construction phase of the domestic grain storage facilities and with the flour mills grain storage and port facilities in Nigeria, Ecuador and Puerto Rico (as well as with a formally owned flour mill in Liberia)

Attached hereto are the 1996 audited financial statements for Seaboard Corporation.

Chairman CRANE. Thank you, Ralph.
Mr. Mucerino.

STATEMENT OF RALPH W. MUCERINO, PRESIDENT, AFRICA AND MIDDLE EAST DIVISION, AMERICAN INTERNATIONAL UNDERWRITERS, AMERICAN INTERNATIONAL GROUP, INC.

Mr. MUCERINO. Thank you. I am Ralph Mucerino. I am the president of the Africa and Middle East Division of American International Group, an insurance company based in New York.

Mr. Chairman, I am pleased to have been invited to appear before you today as a representative of AIG. AIG has a long relationship with Africa. We value our growing operations in South Africa, Zimbabwe, Kenya, and Uganda. Our African companies are vital parts of an international network that spans 130 countries.

We intend to link relationships throughout the world with Africa by introducing new products, technologies, and transfer of skills. We are encouraged to see Malaysian businesses investing in Zimbabwe and South Africa so we can provide continuity in programs across national boundaries.

We are encouraged by our joint venture with South African national civic organizations to establish a marketing company to train hundreds of members as agents that sell AIG insurance products in South Africa, resulting in significant skill transfer and job creation.

We welcome the Growth and Opportunity Act as a framework for an end to dependency by supporting economic development and private investment. Congressmen Crane, Rangel, and McDermott should be commended for their vision and leadership in introducing this legislation, which is important to the growing number of American companies that wish to invest in Africa.

Important policy reforms are occurring throughout Africa. Open markets lead to investments. Realistic exchange rates provide a level playingfield. Privatized state-owned industries open the market to competition.

However, these reforms are only a start. Some existing policies deter investment, particularly when introduced in the middle of the game. Demands to divest assets to satisfy local ownership requirements, work permit processes that encumber the free flow of personnel and damage our ability to manage our assets, surplus requirements that force foreign companies to invest more financially—more than financially weaker local companies. Political reforms have started the flow of capital. More companies are looking to Africa to expand markets and open businesses which grow the economy and increase wealth.

AIG's 77 years of international experience allow us to offer some insights as to the promotion of the flow of capital, capital flows to countries that welcome it and that provide an adequate return. Key issues are in the area of management of capital, majority ownership, majority control, and free flow of funds.

An unencumbered insurance market helps developing countries mobilize domestic pools of capital to invest in infrastructure projects. Capacity and financial strength of the insurer are keys to attracting investment. An unencumbered insurance market introduces new products needed by expanding businesses which allow for the transfer of new skills and technologies.

Mr. Chairman, we are encouraged by this bill. The equity and infrastructure fund initiative is an innovative proposal. AIG has extensive experience in infrastructure funds and the impact it can have in various geographies. We created a $1.1 billion Asian infrastructure fund in 1994, with a focus on telecommunications, power, and transportation projects. This fund is almost completely committed and we are looking to a second fund with twice the capital.

We are also considering an Asian debt fund. We have also put together successful infrastructure funds in Latin America, Russia, and the newly independent states, and we see the impact these funds can have on economies. Africa must provide a climate which can compete globally for foreign investment, which provides for the availability of sound infrastructure projects. There is a codependency between efficient commerce and modern infrastructure.

Both depend upon capital and healthy capital markets. This is the most important piece of legislation to Africa in many years, and it comes at a time when many African countries are putting their economic house in order.

AIG supports the effort to attract capital and expand business. We support the efforts to transfer skills, products, and technology which enhance the reliability of African industry. We look at AIG Zimbabwe, AIG South Africa, AIG Kenya, and AIG Uganda as vital parts of a global network and where success will allow for the expansion into other African nations.

Mr. Chairman, I appreciate this opportunity to offer our perspectives, and we look forward to a continued dialog with you and your Committee.

[The prepared statement follows:]

Statement

Submitted by

Ralph W. Mucerino

President, Africa and the Middle East Division

American International Underwriters
A division of American International Group, Inc.

to the

Committee on Ways and Means

Subcommittee on Trade

U.S. House of Representatives

Hearing on

Expanding U.S. Trade with Sub-Saharan Africa

April 29, 1997

Mr. Chairman and members of the committee, it is a great pleasure to be invited to appear before you today as a representative of American International Group.

AIG is the leading US-based international insurance company and has been a long-time investor in Africa. AIG companies write property, casualty, marine, life and financial services insurance in over 130 countries, and are engaged in a range of financial service businesses. In Africa, AIG offices in Kenya, South Africa, Uganda and Zimbabwe offer a full range of commercial and personal lines of insurance. AIG also leases aircraft, conducts commodity trading and provides risk management services to investors throughout the region.

Today, I would like to address an important piece of legislation being considered by this Subcommittee- "Growth and Opportunity in Africa: The End of Dependency Act." This initiative is a significant step in the reorientation of US policy toward Africa. It not only supports economic development in the region but it also facilitates the deepening of bilateral and commercial ties between Africa and the United States.

Congressmen Crane, McDermott and Rangel should be commended for their vision and tenacity in introducing this bill. Your leadership, along with the other members of the African Trade and Investment Caucus, has provided a timely and insightful change to the debate on the future of US strategic and trade relations with Africa. Most significantly, this legislation recognizes that the United States has genuine and enduring interests in Africa, and supports the growing number of American companies who want to invest in the region.

Mr. Chairman, we are encouraged that African governments across the continent have begun to put important policy reforms into place. They have realized the value of opening their markets to investment- privatizing state owned industries, setting realistic exchange rates and allowing for the development of capital markets.

However, more work remains to be done in implementing policies that will attract much needed foreign investment. Some governments in the region have adopted policies that deter foreign investors by forcing them to divest and by denying free flow of personnel. Such practices place the region at a competitive disadvantage compared to other emerging markets.

It is important to acknowledge the political reforms that many governments have implemented over the last several years. More than half the nations of Africa are developing democratic systems of government, and new countries are continuously joining their ranks.

As a result of such reforms, capital is starting to flow into Africa, albeit at relatively low levels. The message is clear: Africa's economic decline of the last twenty years has been halted, and much of the region is on the threshold of a new era of economic growth and prosperity. It is essential that American business play a role in capturing the new opportunities that are emerging in Africa and promote the region's continued economic recovery. The End of dependency Act lends vital support in achieving this objective.

Based on AIG's experience of over seventy-seven years in the international market, we believe that we have unique insights to offer regarding the policies that promote the flow of needed capital into such developing countries. With this in mind, I would like to take this opportunity to share with the Committee the following observations.

A financial truth that is more apparent today than ever before is that capital flows to where it is most welcome. Private capital will only flow to where an adequate return can be achieved.

We have seen many positive changes being made in Africa resulting in vast new opportunities for investment. However, to attract foreign capital, African economies must continue to work to create an environment that can compete with other emerging markets for scarce global capital.

At the heart of such an environment is the fundamental right of companies to maximize their participation in the local market through majority ownership and management control. Such policies contribute to the development of the local economy and the effective transfer of technology and management expertise.

In addition, attractive investment environments must have a stable macro-economic environment and at least the following characteristics:

1. Appropriate protections for capital repatriation and currency conversion;
2. A reasonable and predictable tax regime;
3. An effective, credible legal and judicial system;
4. An enforceable commercial code that places an emphasis on transparency;
5. Mechanisms for perfecting financial liens and claims;
6. A reliable and prompt dispute resolution mechanism; and,
7. An unconditional investment policy not dependent on performance requirements.

It is also important to note that increased domestic savings and investment is the shortest and most effective route to local empowerment and nation building. However, mobilizing long-term funds from domestic sources in African markets is a major problem. Many economies have not yet developed the vibrant local capital markets necessary to provide adequately for such funds. And, the local bond markets, which in time will play an increasingly important role, remain underdeveloped.

Based on our experience throughout the world, one of the most important components for developing domestic savings in emerging markets is an open and competitive financial services and insurance sector. Not only are these fundamental to foreign investment in general, but financial services and insurance have proven to be major contributors to developing economies.

More specifically these benefits include:

1. Capital Formation. Insurance helps developing countries mobilize pools of domestic capital to invest in infrastructure projects and industrial production, thereby reducing the drain on the national treasury. Accumulated savings can be marketed for strategic infrastructure investments and other activities, including building highways, ports, hospitals, schools, etc.
2. Transfer of Technology and management expertise. AIG has long worked to train local management, transferring valuable skills. The net result is the further development of a skilled laborforce.
3. Increased capacity: The increased capacity and expertise we have brought to emerging markets has served to increase the size and diversity of the local insurance market while introducing new products and services.
4. Attracting Foreign Investment: An open and competitive insurance and financial service market increases investor confidence and encourages the inflow of capital.

Mr. Chairman, We are encouraged by this bill's acknowledgment that private sector investment is critical to the development of Africa. The Equity and Infrastructure Fund Initiative is an innovative proposal.

AIG has unique experience in the management of such infrastructure funds. We have seen that in the right context of an economy which has an attractive investment climate, such funds can make substantial contributions to developing economies.

In 1994, AIG established an Asian Infrastructure Fund with $1.1 billion to be vested in power, telecommunications and transportation projects. With this fund now almost completely invested, we are launching a second fund, with twice the capital, and have plans to create an Asian Debt fund as well. AIG has also established successful infrastructure funds in Latin America as well as in Russia and the newly independent states.

In Africa, infrastructure investment will make a significant impact on regional economic development. Attracting capital to these projects however will be subject to the market's ability to provide a climate which can compete globally for foreign investment and the availability of sound infrastructure projects.

There is a widespread appreciation today that achieving Africa's full potential rests heavily on removing impediments to the efficient financing of infrastructure. It is not only Africa's future growth and dynamism that is at stake. As well, fundamental improvements in the quality of life overall can result from a chain of co-dependent relationships where efficient commerce is supported by modern infrastructure, which in turn depends on capital and healthy capital markets.

Many African leaders have recognized the importance of establishing free trade areas and agreed in principle to reducing tariff and other barriers. However, progress in these areas is notoriously slow and merely opening markets is often not enough.

More often than not, otherwise viable infrastructure projects are made unattractive by host countries' approaches that lack a full appreciation of what the private sector needs to satisfy its investment objectives. For example, often projects are not thought through carefully. Sometimes the engineering, due diligence and financial projections are lacking. And sometimes the necessary government approvals are not forthcoming to realize an attractive rate of return.

While much remains to be done, many African nations have made great strides and clearly they are headed in the right direction. The continent is rich in natural and human resources, and has the potential to become one of the most dynamic markets of the next century. Moving forward, it is critical to acknowledge- as this act does - that a strengthened African private sector will create jobs, new enterprises, provide a tax base for African governments, and improve the quality of life for all Africans.

Mr. Chairman, I appreciate the opportunity to offer our perspectives and share AIG's experiences in Africa. We look forward to continuing a dialogue with you and the Committee. Thank you.

Mr. CRANE. Thank you.
Mr. Carter.

STATEMENT OF WILLIAM B. CARTER, PRESIDENT, AT&T SUBMARINE SYSTEMS, INC.

Mr. CARTER. Thank you very much for the opportunity to be here today and participate in the discussion on the legislation.

I would like to put aside my written testimony for the time being, but I would request it be a part of record.

For the last 10 years, I have been fortunate enough to be associated with the fastest growing part of communications in the world. My company installs and manufactures undersea fiberoptic systems. 10 years ago, 80 percent of the communications of the world was carried on satellite. Currently, today, approximately 70 percent of the world's communications is carried on undersea fiberoptic cables. The connectivity in the last 10 years has grown substantially along with that. In the last 10 years, no countries, zero countries, were connected with undersea fiberoptics. Today, almost 100 countries are connected internationally via fiberoptic cables.

I would draw your attention to the map, which is the next to the last page of my testimony, which points out a glaring deficiency in that ubiquitous network, and that is, Africa is not connected via fiberoptic connectivity to any place. In Sub-Saharan Africa, only South Africa is connected via fiberoptic connectivity to the rest of the world.

Countries today are competing with each other for trade and investment. Countries compete with export goods and attracting outside investment. That essentially requires connectivity to the global marketplace. That connectivity by choice, by media choice, is that by fiberoptic connectivity. Africa today is solely deficient upon that. A solution to that in my opinion is what we call Africa One.

Africa One represents a fiberoptic undersea cable that completely surrounds the continent of Africa. This solution was developed through collaboration of the ITU, the Regional Satellite Administration and Coordination Committee in Africa, and the Pan-African Telecommunication Union. It is a collaboration of government and private sector that has come up with a solution to develop a regional network for the entire continent of Africa.

I emphasize the point, regional. A regional network is necessary to not have disparity between countries and not have migration of workers from one unprosperous developing country to one that is prosperous. We would rather migrate the work to people rather than have migration of people to the work. That solution depends upon this legislation.

This legislation has mechanisms which will assist in getting the finance for Africa One. There are 29 countries that need approximately $15 million to connect fiberoptic Africa One fiber connectivity. This legislation applies the mechanisms that make that possible. Consequently, Africa One, our solution for fiberoptic connectivity to Africa, is completely consistent with this legislation.

I appreciate the opportunity to testify before you, and I also appreciate the support to this legislation.

Thank you very much.

[The prepared statement and attachments follow:]

STATEMENT
by
WILLIAM B. CARTER
PRESIDENT
AT&T SUBMARINE SYSTEMS, INC.
to
THE SUBCOMMITTEE ON TRADE
of the
COMMITTEE ON WAYS AND MEANS
US HOUSE OF REPRESENTATIVES
April 29, 1997

Mr. Chairman and members of the committee, thank you very much for the opportunity to appear before you. I would also like to take this opportunity, Mr. Chairman, to commend you and your colleagues for your interest in promoting trade and investment in Africa, and for holding today's hearing. In my opinion, the topic you are considering today is one that often receives too little attention. I am sure that this committee's interest and involvement will help to rectify that situation.

Mr. Chairman and members of the committee, ten years ago global communications was dependent upon satellite technology. Eighty per cent of all messages were carried over satellite. That situation has changed dramatically, however. Today, only thirty per cent of all messages are carried over satellite. The communications medium of choice for business and consumers is fiber optic cable. Fiber optic cable enjoys this preferred status because of its tremendous advantages over satellite in terms of quality, reliability, bandwidth capability and price.

Indeed, the explosive demand for fiber optic cable connectivity worldwide has driven the industry through three generations of technology in the past decade, increasing bandwidth capacity on a fiber optic pair by a factor of one hundred. Global connectivity has likewise increased. In 1988, there were no countries connected by fiber optic cable. Today, nearly one hundred countries are connected together by undersea fiber optic cables. This fiber optic connectivity has opened new markets, and provided access to resources and trade and investment opportunities to these countries. Fiber optic connectivity enables these countries to compete in the global marketplace.

Yet the world map of this connectivity shows one glaring exception: Africa. This is illustrated clearly by the map entitled "Africa ONE: Existing and Proposed Connectivity in 1997," which is part of my statement. The countries shaded in green have fiber optic connectivity. The countries shaded in yellow, do not. Among the countries of sub-Saharan Africa, only South Africa has fiber optic connectivity to the global network. Africa's lack of connectivity, illustrated so clearly on the map, is all the more striking when one considers the ubiquity of undersea fiber optic cable systems elsewhere in the world. Africa's lack of connectivity also has severe negative consequences for the continent's ability to develop economically through trade and commerce.

There is a strong correlation worldwide between the availability of high-quality, reliable communications and economic prosperity. In today's demanding business environment, countries as much as companies are competing for their shares of economic success. Their prosperity depends on two essential factors: the ability to export profitably, and their ability to attract foreign investment.

To do either is a competitive situation requiring forms of infrastructure capability. First, a transportation system to move products - ships, railroads, roads, etc. Second, it requires quality communications to enable information exchange, data links, and transactions of all kinds - financial, trade, engineering. Africa lacks this critical infrastructure.

I am not in a position to address the transportation alternatives that Africa may consider, but I can address Africa's communications needs. Fiber optic connectivity is crucial to Africa's ability to compete in the global marketplace and to build a regional economy. The emphasis on developing Africa as a region is critical. Economic disparity between countries in a region causes migration of people to work. We need to bring work to people.

Given the current deficiencies in African telecommunications, there is a clear need for action. Fortunately, the confluence of a number of key developments - political, economic, and technological - render a complete affordable solution available for the first time. That solution is Africa ONE.

Africa ONE is a fully integrated multi-technology network. Its main component is approximately 39,000 km of undersea fiber optic cable that will link the countries of Africa to each other and to the rest of the world. The concept was originated by the International Telecommunications Union (ITU) at the end of 1993 and has been developed through the collaborative efforts of AT&T Submarine Systems, the ITU, the Regional African Satellite Commission (RASCOM) and the Pan-African Telecommunication Union (PATU). Most importantly, Africa ONE has received continual input and review from the African and international carriers.

Africa ONE forms a ring around the continent of Africa that will connect about 29 coastal country landing points. Countries without landing points, including interior countries, will use terrestrial fiber, microwave, or satellite facilities to connect to landing points of Africa ONE through coastal countries. In some cases, new facilities will be built to accommodate additional traffic. In addition, Africa ONE will link African carriers directly to Italy, Greece, Portugal, Saudi Arabia and Spain and - through existing and planned submarine cable - to the rest of the world. How Africa ONE will bring fiber optic connectivity to the countries of the African continent is illustrated clearly by the map entitled "Africa ONE: Closing the Gap," which is part of my statement.

Africa ONE will be owned and operated by carriers and investors, through the Africa ONE Company, a special purpose corporation organized under the laws of the Republic of Mauritius. The company will comprise all participating African carriers, as well as their international correspondents. All carriers will have shares of ownership in the network proportional to their respective investments.

Telecommunications traffic on Africa ONE is projected to be about 4 billion minutes in the first year of its operation, 2000. It is anticipated that this traffic base will grow to be about 28 billion minutes by the year 2014. (This represents roughly half the total African international traffic). The revenues associated with this traffic will vary from country to country, but they represent billions of dollars to the African telecommunication administrations - far in excess of their initial investment.

Africa ONE takes advantage of some of the very latest developments in undersea fiber-optic technology to achieve efficiencies never before possible, making it affordable for the first time to connect all the countries of Africa in a fiber-based network. The backbone network comprises over 30,000 km of undersea cable. At the core of the cable is optical fiber, a nearly perfect medium for the transmission of information, which is carried in the form of pulses of light. The capacity of optical fiber to carry information is unmatched by any other technology. In the Africa ONE system, a single fiber pair will be able to meet all the projected cable circuit requirements of the nations of Africa for the next 20 years - over 240,000 full-band width (64 Kb/s) voice circuits. The undersea cable will contain two such fiber pairs, using one to provide the primary traffic path and the other to provide automatic restoration. The ability to carry so much information to so many independent destinations on a single fiber pair is a very significant economy. That ability is provided by two recent developments in optical fiber technology; optical amplification, and wavelength division multiplexing.

Africa ONE is currently being managed by an Executive Coordination Committee comprising representatives from the ITU, RASCOM, PATU, Cameroon, Kenya, Tunisia, Zimbabwe, Cote D'Ivoire, South Africa, Nigeria, and AT&T. It is anticipated that African and international carriers will commit to circuit purchases on Africa ONE in 1997. The Africa ONE Company will also be created in 1997, and will be owned and operated by these carriers, with shares of ownership proportional to their respective investments.

Participating in the Africa ONE network will yield benefits for the African telecommunications administrations in many areas. From a technological perspective, Africa ONE brings advanced cable technology, providing self restoration capability and flexibility to expand networks. The Africa ONE network will dramatically improve the telecommunications administrations' abilities to provide high quality and sophisticated services.

Telecommunications administrations will be able to address the backlog of demand for basic services, offer new services and use the additional revenues from these to improve their national networks.

This enhanced access to regional and global markets will stimulate new business opportunities. African countries will benefit from an increasing ability to attract foreign investment. The ability to provide telecommunications support for the regional alliances will enhance the economic structure of the region as a whole, making Africa a stronger player in the global economy.

African society will be the ultimate beneficiary of improved telecommunications. Improved communications between governments will promote regional stability and harmony. Institutions will form regional linkages enabling them to share resources and expertise, culminating in an overall development of the region.

Africa ONE is an example of the private and public sectors working together to provide a unique solution to the problem of international telecommunications connectivity in Africa. With the current explosion of the Information Age, it is imperative that Africa have the same access to information as the developed world. With untapped natural resources perhaps greater than anywhere else in the world, African economies have the potential to grow exponentially. It is important for carriers, governments, and businesses to support Africa ONE, so the solution can be implemented, as planned, by the year 2000.

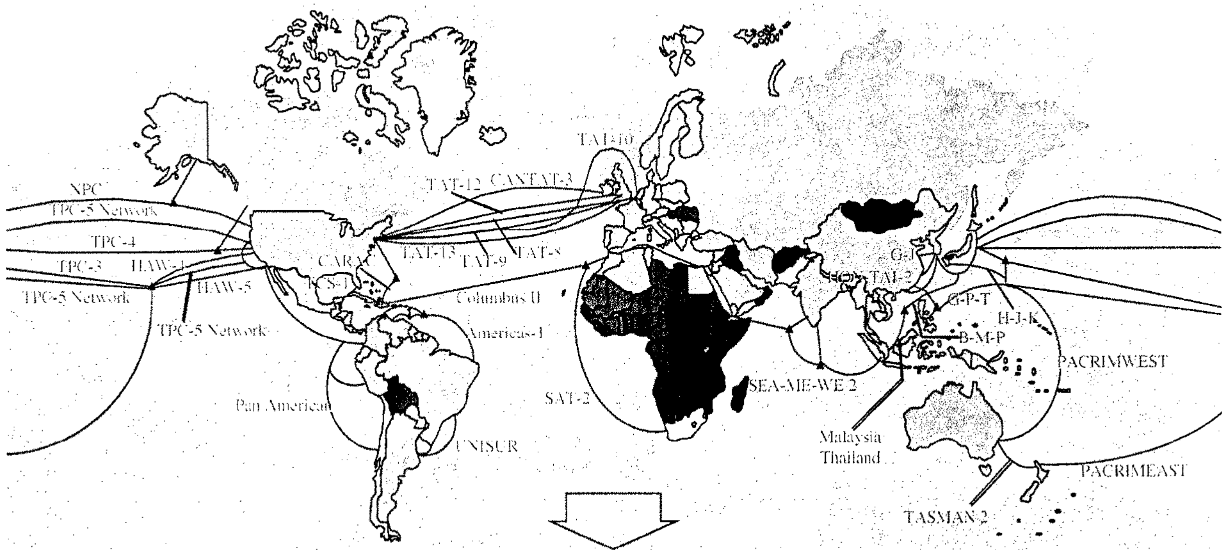
Africa ONE is critical for all the countries of Africa to achieve connectivity required by global competition for trade and investment. Key to Africa ONE's success will be the Africa coastal countries' abilities to finance the $15 million cost of a landing point. Guarantees (not loans or grants) to some of these countries would facilitate financing. Since the business cases (and experience of countries installing undersea systems worldwide) show strong financial returns on investment, the risk associated with guarantees is slight. The greater risk by far is to allow countries to be bypassed and lose forever their opportunity to achieve parity with the rest of the world. Africa ONE is therefore completely consistent with the trade/investment - not aid - approach of the legislation being considered by the committee today.

Thank you for your attention.

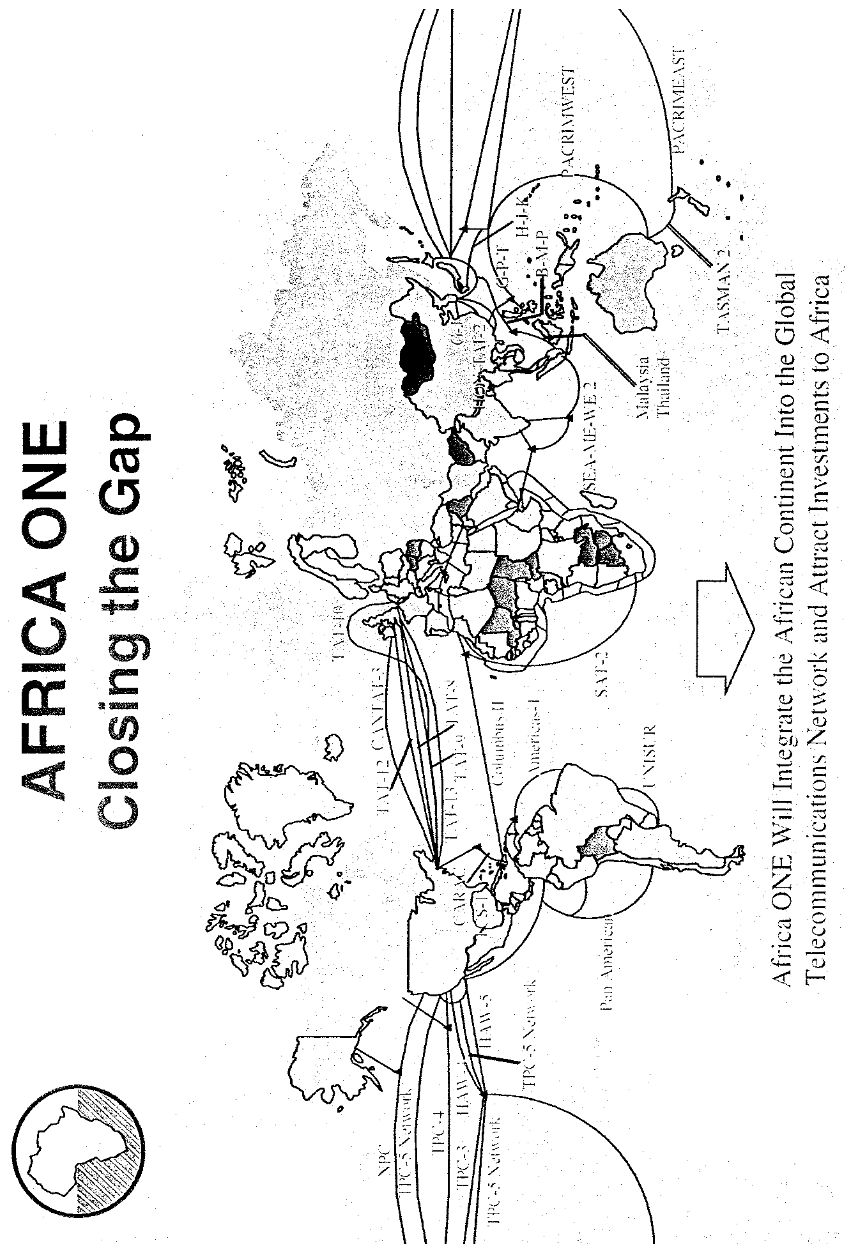
William B. Carter
President
AT&T Submarine Systems, Inc.

AFRICA ONE

Existing and Proposed Connectivity in 1997



In 1997 the African Continent Will Be Largely Isolated From the International Fiber Optic Network



Chairman CRANE. Thank you, Mr. Carter.

Dr. Franklin, I was intrigued by a statement in your written record about how you observed that trade and investment opportunities had benefited some of the poorest, more rural regions of Sub-Saharan Africa already. Can you elaborate more fully on that.

Mr. FRANKLIN. Yes, Mr. Chairman, I would be pleased.

One of the surprising things is that of the various countries of Africa in offering, in East Africa, the relationship with Kenya and Tanzania, in particular, in Ghana, the relationship with its neighbors.

As the policies and the rules for trade have tried to make these countries more open to trade with Europe and the United States with the rest of the world, a very interesting phenomenon has occurred, that they are trading more with each other. And the kinds of things that they are trading are things like, for example, in Ghana, gari, which is a meal prepared from the root of manyar plant, in English known as casaba.

We are looking at the statistics. Something like 10 million dollars' worth of gari—that is a traditional food in West Africa—is now going across the border in small loads, 80 to 100 kilograms, to the neighboring countries of Togo and elsewhere. This means that very, very poor people out in the hinterland are benefiting from the policies that were intended to improve the ability of the better situated enterprises to deal with their partners outside of the continent.

I have just spent some time in the Arusha region in Tanzania. They are taking advantage there. It is a slightly more advanced situation, but I think it is perhaps indicative of the sequencing of incorporation of very poor people into the global economy out of the Arusha region, which had traditionally, or is famous for its coffee exports. And coffee exports in Tanzania had traditionally been sold to the coffee board and shipped out through Tanzanian ports.

In the very early eighties, when the policies in Tanzania were very, very severe, the coffee plants were being uprooted and the peasants were growing their own maize and corn products, but they also learned the only way to get the money to buy the small things they needed to have, like batteries for their flashlights and transistor radios, was to smuggle; well, what was then called smuggling today is called cross-border trade. But today, the farmers of Tanzania, in the northern region along the border, are cross-border trading. It is no longer called smuggling; it is no longer illegal. They are exporting high-value horticultural products that take advantage of the very well established industry that is headquartered in Nairobi.

And so out of the Arusha region, the French people are now able to eat delicious adaqua beans and the Dutch people are able to wear the flowers grown there, and it is because of this cross-border trade.

And I want to emphasize that there are many folks who have a romantic view of Africa and, in their love for Africa, want to preserve Africa in its state of poverty, because they want to preserve the traditional foods for consumption within the village, they want to preserve those traditional ways of doing things, and in so doing, they very often punish the poor people of Africa from having opportunities, the poor people of anywhere where they can trade.

So I know sooner or later there will be opposition for this bill from very well intentioned folks that are going to be concerned about what is this bill going to do for the poor people of Africa. I can document very concretely the examples I have cited in many more that over 25 years of presence in Africa I have personally and my company have experienced.

Thank you for the question, sir.

Chairman CRANE. I am a little dismayed at hearing where some of the opposition will come from. And I remember we used to spend time down on the family farm before World War II. We had no internal electricity, no indoor plumbing, it was kind of primitive facilities, and didn't even have a tractor; we did all the plowing with horses in those days. But I can guarantee to you that all the residents in that area are happy with modernization.

And I happily yield to Charlie.

Mr. RANGEL. Every time I hear you tell those stories, Chuck, I just choke up.

I don't know where to start. One of the major problems that we have with any trade bill is with people who are insecure, who like to blame trade for most all of their problems. Certainly, in the last election we found some candidates that were using trade to conjure up fear. I want to congratulate AIG for the great work that they are doing in education.

But it seems to be my experience that the multinationals spend tens of billions of dollars in educating and training their own, but our school system is failing and crumbling so that we can't even get anyone in some of our inner cities to be eligible for the great training that these outfits have.

It would help us a great deal if, in the course of helping us to liberalize trade and tearing down the barriers to free trade, if you could see your way to put on your list of national priorities not only wiping out capital gains taxes and wiping our inheritance taxes and all of those things that impede capital formation, but to concentrate on human capital as well, because our businesses have—they don't have the luxury of just finding out what is going to happen at the end of the week or at the end of the year, you have to plan for decades ahead.

And as you see a growing number of Americans being locked up and homeless and creating children when they are children, and drugs and alcohol, you should be concerned that we go to that international negotiating table with close to 2 million people locked up that should be productive, and they are unemployable, and this number is increasing.

So Mr. Sutton is involved in all types of literacy programs and education programs, he is involved in my empowerment zone, but we could be overwhelmed by people who are absorbed in fear unless we have people who believe, when the President talks about high-paying jobs and high-tech jobs, that they could be included, and in too many towns and villages, they know they are excluded.

AIG is doing a terrific job, as well as many, many other corporations, and we are working with them, but I don't know how we are coming out in this budget negotiation. And I have lobbyists visit with me about so many things they would want to make certain remain in the budget, but, unfortunately, the education proponents in the budget have not been on their list. I wish we could find some way it would not be just a problem of poor folks but a problem our country faces and some of you could see your way clear to get that on your national agenda.

Thank you.

Mr. HOUGHTON [presiding]. Mr. Rangel, you have somebody else in the chair now. Are you all choked up?

Mr. RANGEL. No.

Mr. HOUGHTON. Mr. McDermott.

Mr. RANGEL. Wait until he starts telling you the story of his background.

Mr. MCDERMOTT. I will turn off my microphone, and you can talk about your background, sir.

Thank you Mr. Chairman.

When I went to Charlie, we were talking about this way back 2 years ago, he was saying, you know, when we talk to people, they always say you can't do business in Africa. So I am really excited by this panel. And I would like to hear individually your answer to the person who says to you, what do you mean, you can't—you are doing business in Africa, you can't do anything there? How do you respond when people tell you that you can't do business in Africa?

Anywhere—start with Mr. Carter, and just move across.

Mr. CARTER. Thank you very much. I appreciate that.

What I tell them basically is, the potential of Africa is one of the last untapped resources in the world. For instance, in Zaire, the quality of copper is four times that of the United States. But we can't get to the resources. We can't get in to have the investment and trade in Africa because of the limits of being able to get into it. That is all.

In my opinion, Africa, to use Secretary Kemp's analogy, is somewhat like a 747, and it requires about a 300-mile-an-hour wind out of the engines of the 747, which is called breakaway thrust, to move it in the first place, and, in my opinion, that is where we are with Africa. The whole continent of Africa, in my opinion, is about South America 10 years ago, and it is about to unleash one of the largest economic growths we have seen in this world. I think the potential is larger.

Mr. SUTTON. One of the reasons I am so excited about this bill is, yes, there are many people who say you can't do business in Africa—it is too poor, you won't get paid, just a variety of things.

Over the last 3 years, we have met with virtually every major investment banker in America with regard to our telecommunications project. It appears now that on Monday we shall have released ourselves from all this past and we will have accomplished a joint venture that will permit us, within this year, to place a satellite in the sky, and maybe we can then use the cable from around the continent; it will be very helpful.

But one of the reasons, we think, is perception, that there is this perception: We were rejected, rejected, rejected. But this bill is an invitation to the private sector of America to invest in the infrastructure of Africa. There has never been anything like this.

There are some things I disagree with. For example, I think in waiting until 2020 before free trade is a very long wait, but I think this bill, if enacted, will accomplish more with regard to Africa, wiping away old ills, wiping away old perceptions; there is nothing like it. Please enact it.

Mr. McDermott. Mr. Franklin.

Mr. Franklin. Mr. McDermott, for too long, certainly since independence, Africa spent its first 40 years of independence destroying much of the wealth that it had, and that was destroyed by the action of the African governments that ostensibly wanted to help the poor people. But in case after case after case, they destroyed agriculture, they destroyed a lot of the productive capacity. And in spite of this, you saw that the petty entrepreneurs, the market women and the farmers, managed to feed the people.

And so what I say to the people that I want to encourage to come is, that is where some of the real entrepreneurship exists. In spite of all they have had to carry from your governments heretofore, the African people are ready to do business with each other and ready to do business with us.

Mr. Moss. Mr. McDermott, I have been asked that question several times, and we always at Seaboard kind of chuckle, because we have been successful.

I think American business—no foreign place has been easy to do business, and Africa is no different. I think by ignorance and ignoration, by ignoring the African continent, we have lost out. Every time I am asked that question, I always come back with the answer: I go to Africa about once a month, and why is it I see Malaysians, I see Singaporeans, I see Germans, I see all of our European brothers, people from the former CIS, you see everyone in Africa except Americans? You hear every language spoken in Africa except American English.

I think Americans have shied away from Africa out of ignorance and ignoration, and we have lost. We have not dared.

Africa is not easy, but no foreign place is. Where there is greater risk, there is greater potential reward. And the Africans, unlike many of the other regions in the world, want to do business with Americans. They know the American labels; they know the American product; they know and respect the Americans, generally, in business.

So I think Seaboard has been successful simply because our chairman has dared to be successful. He has dared to go into Africa. He has put his own money on the ground. He has not sought financing from banks. We have just bought a flourmill in Beira and paid $7.3 million. That was Harry Bresky's money. We are going back to Mozambique now to build 12 million dollars' worth of silos at the port of Beira. That will be Harry Bresky's money.

And so American business has got to get off the dime and dare to do.

Mr. Mucerino. From an AIG perspective, we have been in Africa for many decades, and we have been successful because we have had a vision that went beyond an immediate set of issues. We have seen that persistence pays off. We have started with reasonable objectives. We built upon our successes, and we have become part of the local community and transferred skills that wouldn't have necessarily been available from other insurers in the area given our international backgrounds. So from that perspective, I think, I would say persistence is the key virtue.

I would like to comment also on Mr. Rangel's earlier comment about AIG supporting a broader-based educational effort in the United States. We do support many foundations, corporately. We are actively involved in an inner-city program in New York City, and I have one of the kids in this program starting work for me in another couple of weeks to provide employment where, given, employment might not necessarily be available. I will be happy to send Mr. Rangel some more details on all of the initiatives that were involved with it.

Thank you.

Mr. MCDERMOTT. Thank you.

When I lived in Zaire, I always wanted a Land Rover, so I bought one in England and had it shipped down. And I realized I made a mistake; I should have brought a Land Cruiser, because the Japanese were everywhere; you could buy parts and service. And I always wondered why Americans weren't there. So I hope you people will help spread the bill.

Thank you.

Mr. HOUGHTON. Thank you.

Mr. Jefferson.

Mr. JEFFERSON. Thank you, Mr. Houghton.

All of you have done extensive business in Africa, apparently, and the bill talks about having African governments make appropriate adjustments in their rules and in the marketplace there to incentivize U.S. business to get more involved.

If you were going to advise the African governments on this matter, what would you suggest as important measures that the African governments should themselves take to try for U.S. investment trade?

Mr. MOSS. Congressman Jefferson, may I?

We have, as I say, just gone around the hump and now coming up into East Africa in Mozambique. I think the Mozambique Government is to be commended and really singled out for the program that it has adopted. It is a very realistic program, and it is being very successful. They have gone to privatization.

Here you have a country that was many years a Marxist state and have moved under President Chissano to an open and free market, capitalist economy. The Government of Mozambique has been most transparent, it has carried out the most transparent privatization program we have seen any place in Africa.

They have privatized over 3,000 companies, large and small. They have attracted investment not only from their former colonial ruler, Portugal, but you now have Seaboard, you have Enron there, you have other American companies looking, South African companies, companies from all other Europe and Asia.

They are moving to reduce their tariffs, the protective tariffs that they have had. They are moving to clean up their customs operations. They have truly, I think, recognized that to have and to encourage foreign investment, they must clean up their act, so to speak, and they have done that. It has been difficult, but they have done it, and they are to be commended.

Mr. FRANKLIN. Mr. Jefferson, if I may add, I think one of the very important things is that the process of privatization is not finished—and I mean it in a very special sense—in that maybe the enterprises have been privatized and they are now in the hands of private citizens of Africa and their international partners, but too often the people that represent the African interests remain the same bureaucrats that were controlling the business enterprise before or are people that are well connected to those.

So that there are many, many barriers to entry. And so new enterprises, new businesses, new ideas, find it very difficult to come in, because connections to the palace, connections to the castle, connections to the minister or to the principal secretary of this ministry or that other ministry still in Africa today remain much too much a determinant of the success of a potential business. And that means corruption, it meanings that only the elite and the well situated have access to these opportunities.

So we really want to take Africa to the next level of economic performance. We have got to harness the people who have been excluded by their governments and by all these rules. And that is why I have argued here that we need some sort of presence there. It is not just a commission that would meet on a biannual basis and harangue the top level of government officials.

They will tell you: Oh, but we have a committee, we have a private sector advisory group. The folks that have access to the private sector advisory group meet at the five-star hotels with their international business partners and with their African business partners. That is not where the wealth in Africa resides. If we are going to get Africa moving, we have got to get the rest of Africa that doesn't meet at the five-star hotels to come to the business table also.

Mr. MUCERINO. If I may, I would say a key phrase is to keep a level playing field. All too often in the midst of conducting business, some bureaucrat will show up and say: Those aren't the rules anymore. We have changed the rules, and you have to sell 51 percent of your company to local interests, whom, by the way, we will recommend. It puts us in a very difficult position to justify maintaining assets in countries with that kind of environment.

Secondly, there are some countries still that require us to cede a certain percentage of our income into state pools, thereby depriving us to a rate of return on all of our income. So consequently, if we have earned $1 profit, we have given 37 cents to a reinsurance company that doesn't allow us to make a proper return on our investment.

Mr. JEFFERSON. I appreciate that. I was just saying to Jim McDermott here that the problems you are talking about in Africa, in some Asian countries we heard the same conversations from our chambers of commerce, businesspeople there, and it is a long-term process, apparently, getting the rules right for so many foreign interests, but—I mean areas.

But one provision of the bill I think is very good is that, in order to get the participation and the benefit from the bill and the trade and investment and all the rest of it in financing, and even the debt relief aspects of it, we are going to have some serious talks about getting down to rules that are market-oriented rules that make sense for American business or any other business to locate and prosper there.

So I think your comments are very important and very timely, and I think they are very helpful to us. Thank you.

Mr. HOUGHTON. Thank you, Mr. Jefferson.

I have a few questions. Thank you, Mr. Jefferson, but I particularly want to thank Mr. McDermott. You have been in on this legislation, and we wouldn't be here talking about it if it weren't for you. So I appreciate your part in the leadership.

I have got one specific question and a couple of general ones, and you don't have to have any elaborate or lengthy answers.

Mr. Carter, I would like to ask you first about the telephone system. You have been talking about the Africa One network. There has been an emphasis on increasing the number of phones in the country related to increasing the productivity and growth, which is right. But I wonder why the employment for Africa is better than concentrating resources on the local telephone density for individuals in African nations.

Mr. CARTER. It is an excellent question. I don't think anybody has ever done wrong with teledensity, and Africa is primary for increasing teledensity.

Everyone comes back with stories out of Africa. My own is one in investment in teledensity. I look at it as an inside-out approach, and for the specific unique needs of Africa at this time, an outside-in approach—in other words, connectivity to the global marketplace and the ability to export products and ability to attract outside investments, of which international communications is the hardest, the real necessity of getting done—that provides a funding mechanism to actually do something about the teledensity problem within Africa.

Investment alone doesn't provide that funding basis, whereas an outside-in approach, the global connectivity would provide a funding mechanism actually to increase teledensity.

Mr. HOUGHTON. So what you are saying, in effect, if you have an outside-in approach, the internal will take care of itself.

Mr. CARTER. Well, it will be assisted through the investment that could be attracted through decent communications through the international global marketplace, yes.

Mr. HOUGHTON. Thank you very much.

Now, Mr. Sutton, I would like to ask you a question, and this has to do with people, and it has to do with people in training. One of the great successes of the United States, I think, in Europe immediately after World War II was the establishing of the pockets of business education, law education. There is artistic education, but there hasn't been business education. And you can have an entrepreneurial spirit, you can be smart, and you can have the savvy for business, but you get to a particular point and you need, as a lawyer needs, some more formal education. And I don't see that happening in the continent of Africa. I don't see it in South Africa; I may be wrong. I don't see it in Zimbabwe or Uganda or any place like this.

Do you have thoughts on this?

Mr. SUTTON. Yes, I think there is an increasing concentration on education. But increasingly the African nations are investing in education and higher education.

Mr. HOUGHTON. Good. And you think it is not only specific basic education but also it is the type of education which can help people that are going to take businesses a step further.

Mr. SUTTON. I am not sure that the concentration is on those things that might have application to the real world. Most of it is academic. The facts I have before me don't show in mechanical education and engineering and sciences there is any concentration at all on that. Most of that is taking place abroad.

Mr. HOUGHTON. All right. Would any other of you gentlemen like to comment on this?

Mr. MOSS. Yes, sir. In the milling business, for instance, we don't like to employ or send expatriates overseas. It is very, very expensive and difficult family wise, family considerations. In the milling industry, the Kansas State University in Manhattan, we have sent many, many African millers. Men and women who have trained and worked for us have gone to Kansas to be trained to be master millers.

In almost every one of our mills in Africa, we have African master millers who have been trained, whom we are advancing as quickly as we possibly can, because it only makes economic good sense to put these people into management positions. We see this in other areas also.

So there is, but it is limited, and it is regrettable that it is so limited, training opportunities. They do exist I know in milling, but they are limited.

Mr. HOUGHTON. Yes, because one of the problems in deciding to invest in a country outside of your own is not just the infrastructure and the money available, but the people who can carry on those specific tasks, and they are getting increasingly technical.

I have a question, and, Mr. Moss, maybe you can give an answer, or anybody else also. When you are in business in the United States, people come into your office all the time and say, if you ever want to put a plant someplace, put it down in Research Triangle, because Raleigh is a great place to live, and so on and so forth.

I have been in business for many years. People come from African countries and say: "We would like investment." But there is nothing behind that. There is nothing to say this is what the taxes are, this is what we will do, this is what the educational system is, this is the type of transportation facilities.

I just wonder whether there are not a lot of people, not only in this country but other hard currency countries, who would like to invest in Africa but just don't know enough about the specific areas there, where they get that information from Taiwan and from Singapore and from Germany and places like that.

Mr. SUTTON. Yes, I have an opinion. Right here in the United States, you will find that those cities, those towns in America that get the large investments are towns that offer certain tax cuts and other benefits. Education can tell you the status of their educational system there. So the business moves there, because it knows that there is an infrastructure and there is an educational base and there is receptivity.

That requires some sophistication, because right here in America a number of our towns and cities don't know how to do it well. As a result, when the competition is there, they don't gain any entree.

Mr. HOUGHTON. Thank you.

Does anyone else have a comment on this?

Mr. MOSS. Many times—and I don't mean to be critical—the Embassies are becoming more and more sophisticated and they are sending men and women who can be very good salespersons for their countries. But again, American industry doesn't know a lot about Africa, and what it knows is mostly negative.

The African governments can hire all the PR companies you want to hire to try to sell the country. The best way they can sell their country is having an Ambassador and a commercial officer being as sophisticated as possible, and they should encourage visits.

We go and look at countries repeatedly. We looked at Mozambique 3 years ago and said no to an investment, and it was only after 3 years we went back, and by then the investment climate had improved, and we then decided to make the investment in Mozambique.

We are looking all the time, and most times we come back and say no, it is not the right time, it is not the right circumstance or situation.

But I think that the African governments have got to sell. They are their best salesperson. The Ambassador and the commercial officer, can be the best and most effective salespersons for their countries. But the African governments themselves must show a willingness to be encouraging of American investment.

Mr. MUCERINO. If I may, one of the issues is that infrastructure—Mr. Sutton touched upon this before—is really the major selling point of putting a plant or equipment any place in the world, and the African countries are at a disadvantage because of the lack of this infrastructure. So it is sort of a catch-22.

We receive, you know, many approaches from different countries around the world. Very rarely do we receive approaches from African countries. Instead, what we receive is approaches through third-party entrepreneurs who are looking to engage us in joint ventures in different countries and very specific areas.

I think if we look at some of the free trade areas in Tunisia or Dubai that are being established now, it is very easy to move into the facility like that, because all you have to do is move in your inventory and you are ready to do business. You have got communication, you have got electric, you have got transportation, and right now the African countries are on that same playingfield.

Mr. HOUGHTON. I thank you very much.

Mr. RANGEL. Could I?

Mr. HOUGHTON. Yes.

Mr. RANGEL. When I went last to Africa with Ron Brown, I saw where the Ambassador had converted our Embassy into just a salesroom. I mean, everyone who came from America with business, deals were set up, meetings were set up, encouragement was given, banking facilities were made available, and it was such an exciting thing.

And I just watched Ron Brown in total amazement of how people in the different African countries felt so impressed about his sensitivities not just in selling American goods but of trying to put them in the position of having a disposable income, to improve education and improve health. And while for some reason Americans seem to be well liked throughout the world, I got the impression that Ron Brown, in addition to being extremely qualified, had a sense of identity with those people in South Africa.

Now, in your background, you would be qualified and do well no matter what, where your country was based, whether it was in Europe or Asia. But I asked the sensitive question because I don't see enough people of color in the Trade Representative's Office, I don't find enough people of color have been trained in the State Department, and I always thought that a country would like to see from time to time when America has the gorgeous mosaic of every our country did you ever find that your color was an asset in addition to the abilities that you brought in doing business in Africa?

Mr. MOSS. Well, I sometimes find that it is a curiosity. Many times it is a curiosity, because, quite frankly, many Africans in the five-star hotels where American businessmen gravitate don't see a lot of black American businessmen.

In Mozambique, for instance, because I go every month, it is amazing for me to watch the desk reception staff. They have all become like family to me now because we all know each other now so well. They watch me talking to the Minister of Finance or the chairman of the port authority, and they see us shaking hands; and so forth. They watch me talking to these people, whispering in their ear the way the white American businessman do, and they look at me, and, quite frankly, I find it amusing. I also understand that it is encouraging to them that I am in this position, and I feel very fortunate.

I am in this position, I hope, first because I am qualified to be in it. My color does help, and it has served as an encouragement. And I think that it is unfortunate that we don't see more people of color, of any color, and we don't see more women on the continent doing business.

Mr. RANGEL. What you are saying indirectly is, by seeing your success and accomplishment, that is really a plus for the United States of America.

Mr. MOSS. I think that it is, because it demonstrates the truism that America is a land of opportunity. And I think this was one of Ron Brown's great strengths; here was a man who would have been successful no matter where he was from, no matter where he went, no matter what he did. The fact that he was successful as a black American who had the ear of the President, who had the ear of presidents, who commanded corporate chieftains, brought them around the world at his command, I am sure that that was a great encouragement. They speak of Ron Brown, no matter where you are, they speak of Ron Brown, not only in Africa, but in Africa it was so positive, his presence, because he really proved that America was concerned for Africa, that the leadership was concerned for Africa, and Africa could be treated as an equal nation, equal state.

Mr. RANGEL. And on the other side of the ocean, every black kid in every black community would hope that he or she could be Ron Brown.

Mr. SUTTON. May I address that issue? Over the years there has been a change in attitude in Africa with regard to African-Americans.

Before there was an Andy Young, before there was a Ron Brown, and before Africans saw black Americans in positions of stature, before there were any black mayors, in that period of existence in Africa, visitations, you would find there was not great receptivity because they didn't believe African-Americans had any power.

But as the years have passed, there has been a marked change in the experience, and I can say this as a person who has for the last 35 years been investing in Africa and been involved in the freedom movement in Africa, raising funds and things of that nature, using some of my radio stations around this country for raising funds for emerging governments. I have found a dramatic establishment of affection between Africans and African-Americans.

For the first time, we have had an experience right now of us being asked, not because we sought it out, but being asked to join as partners in radio stations throughout Africa. Why? Because we have developed the expertise here. They have heard of the Inner City Broadcasting Corp. in America, and they come to us.

But I do think there is a distinctive advantage right now for African-Americans in Africa. I don't like that necessarily, because I think that we are all Americans, but it is a fact of life.

Mr. RANGEL. Thank you.

Mr. HOUGHTON. Thank you very much, gentlemen. I appreciate your being here, and then we will have the next panel.

The next panel will be Mr. Goudiaby, president of ATEPA Technologies, member of the board of directors of the West African Stock Exchange, Senegal; Nalla Fall is president of Afric-Gestion in Senegal; and James Obi, chairman of the Obi Group in Connecticut.

If you gentlemen would come to the witness table, we would appreciate it.

Mr. RANGEL. Mr. Chairman, it is my understanding that two of our witnesses traveled from Senegal just to be here at this hearing today. Is that so? Is that true?

Mr. GOUDIABY. Yes.

Mr. RANGEL. Let me tell you how honored we are that you would make such an effort to be with us. It is deeply appreciated. And I yield back to the Chair.

Mr. HOUGHTON. I would second that. Thank you so much for your graciousness and the time you have spent here, but we hope it will be worthwhile.

Let me call on Mr. Goudiaby.

STATEMENT OF PIERRE ATEPA GOUDIABY, PRESIDENT, ATEPA TECHNOLOGIES, LTD.

Mr. GOUDIABY. Thank you very much, Mr. Chairman.

I would first like to apologize for not having written my statement in the proper manner. It is just that I am a very busy man traveling every day, and when the fax came I just instructed someone in my office to do a little statement and printed it. So they put an IBM computer, put the pictures in it, and came out with this very beautiful brochure, which isn't really what was asked for, so I apologize for that, just because they didn't know.

Mr. HOUGHTON. I think it is a great idea, and I think we ought to copy that.

Mr. GOUDIABY. Well, I will tell you one thing. They used an IBM computer made in America but which I bought in France. So that tells you how important this hearing is to us, Mr. Chairman.

Mr. RANGEL. I was telling the Chairman that maybe we can get one of those disks put in it where the testimony could be played back as well.

Mr. GOUDIABY. Well, anyway, it is really a great pleasure for me and a big opportunity to be able to speak on my own behalf as a businessman from Africa, but also as an American-trained student from Africa. I am very grateful to the American people to have given me back 30 years ago what I think is one of the best educations that could be provided in the world today. And I have been since making a lot of projects in Africa, including a lot of central banks, hospitals.

We just finished building an airport in Bonjoul, and as I sit talking to you here, I have about 50 containers of goods travelling from America to Africa to build a five-star hotel. So this is a great opportunity not only for us but for the whole continent of Africa.

As a matter of fact, I brought with me one of the newspapers with an interview of Jim McDermott. You didn't see it? Well, this is the recent copy that came out the day before yesterday. I brought a copy for you. This said—means that the Americans are pushing Europe—well, not out of Africa, but they bring pressure to Europe.

So I hope you maintain the pressure, and this is why I am very glad to be here to testify for you.

Since this will be retyped and, Chairman, with your permission, I hired an American team to do the writing I should do, so we will be doing this report in a proper manner so that it could be in the files for the record.

I would like to start by saying that since the last panel ended with our very dear late Ron Brown, to say that in Africa, to us, Ron Brown is a hero, and we are very eager to see that another Ron Brown comes out of America to show his appreciation for Africa.

And we hope, Congressman Rangel, that maybe you will be the next Ron Brown for Africa, because we really need a new good partner who knows what we want and who cares about us. That is the most important thing.

Now, I don't want to go through all these things about how the trade is not efficient, only 4 percent of this, 5 percent of that. I just want to concentrate on a few things that, as a businessman, are important to me and to us.

The first thing is that the image of Africa has to change in America, and I think that this bill, and with appropriate measure, you can help us change this image using the media, because, unfortunately, all the things that the media see about Africa are disasters, wars, Idi Amin type of dictators, and so forth.

Now, if you just portrayed the real image of Africa, winning Africa, we think that businesspeople from America would come very naturally to Africa and make business. So to us, this is a very important issue, and I wish that the Congress would see to it that this conversion of mentalities, when you see Africa, you think that, well, it is hard away in the jungles, they are all killing each other, that is not the right picture of Africa.

The other thing that needs to be known is that Africans didn't just sit back and relax and wait for aid and wait for programs and wait for people to come and help. We are organizing ourselves to be able to reach out to the hands that want to come to work with us.

And Mr. Jefferson said earlier this morning that, talking about the coast and all these regional organizations, to me, these organizations are certainly the most important things that you people can work with. And that is one of the reasons why—well, the reason why I was invited to this panel is, I was establishing across the street an office to try to promote the West African region, which has come into inside the coast, and inside the coast you have the African countries who are trying to do everything they can to reach to America.

Not that we want to forget the French, because we speak French, but to us the area of Internet with the area of global market and American is the priority now.

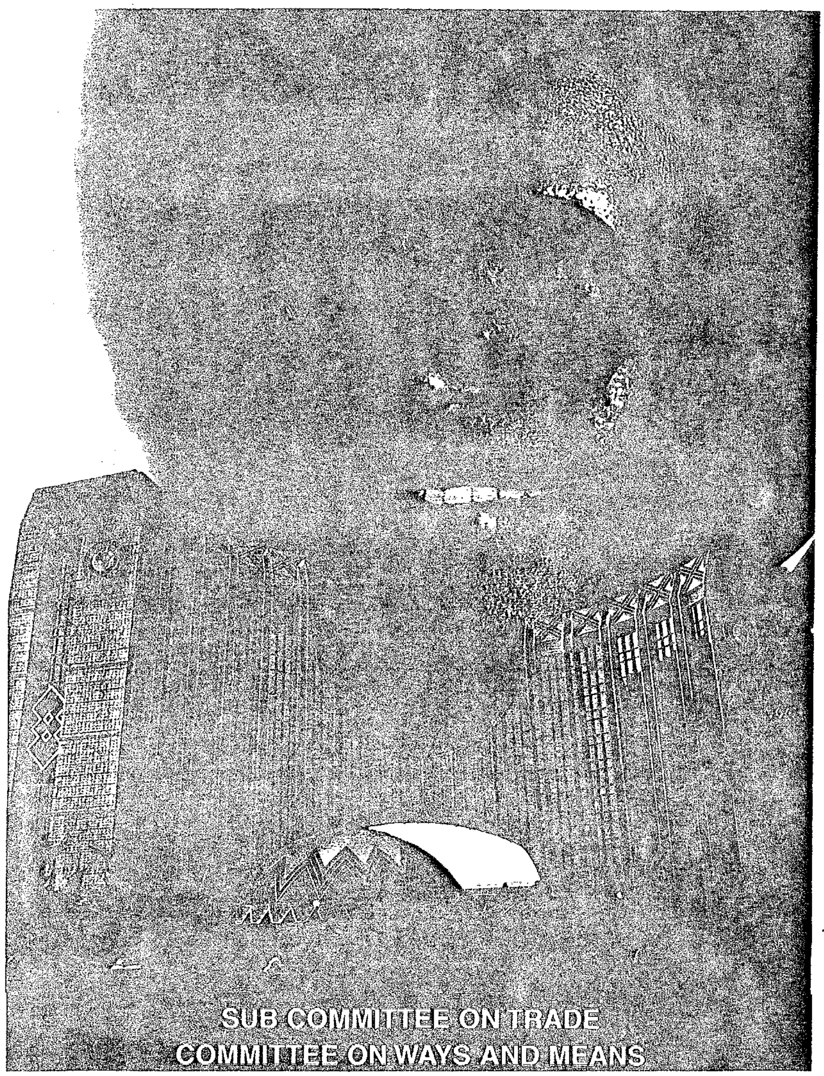
I will probably come back when the questions are asked, but, in conclusion, what I want to say is that everybody I have talked to before coming here are really, really awaiting, something big out of this congressional bill.

I talked to the President himself, President Abdou Diouf, his prime ministers. We talked about these things for more than half an hour, and we are really all eager to see that America regards Africa as a partner and as a partner who really wants to do things the right way, the proper way.

Well, I guess that when the questions come maybe I will elaborate a little more. I thank you again, and we will wait for the questions.

[The prepared statement and attachments follow:]

STATEMENT BY ARCHITECT PIERRE ATEPA GOUDIABY



Testimony of Pierre Goudiaby ATEPA

- HONORARY PRESIDENT
  OF THE AFRICA UNION OF ARCHITECTS
- PRESIDENT
  OF ATEPA TECHNOLOGIES .T.D.
- MEMBER OF THE INTERNATIONAL
  ACADEMY OF ARCHITECTURE

I - BACKGROUND INFORMATION OF ATEPA TECHNOLOGIES

Architechtural works

Conceptors and builders of many landmark buildings in West Africa
Builders and promoters of low cost and environmentally sound social housing projects

Investers / investment bankers

Atepa Technologies is one of main shareholders of the newly created West African Stock Exchange.

Promoters of Joint Venture Invesments and Trade Relations between the U.S. And the West African Economic and Monetary Union (UEMOA).

"IT IS THE INTENTION OF THE US TO NO LONGER CONCEDE THE AFRICAN MARKET TO EUROPE"

Late Ron BROWN

II TRADE BETWEEN SUBSAHARAN AFRICA AND THE US

A) THE PRESENT SITUATION

Trade between US and Subsaharan Africa is dismal so far.

US Exports in 1996 amount to USD 6.1B against imports of USD 15.8

This level of trade activity represent less than percent of overall US trade figures.

B) WHY HAS THE LEVEL OF TRADE BEEN SO LOW

1 - Historical reasons

- Historical barriers

The US not having colonised Africa dit not develop into the continent's traditional partner unlike such former colonial powers as France, The U.K., Germany, Portugal and other European countries.

- Linguistic barriers

Because of the same colonial reasons, a good number of african countries are non english speaking.

2 - Unresponsive to market requirements

Goods made in the US are often adapt pourly to the African market.

- Electric appliances work on 110 Volts in the US against 220 Volts in Africa

- US made cars are generally heavy fuel consumers, too low for bumpy african roads

- Goods originating from Africa are often subjected to stiff admission requirements e.g. USDA clearance for food items, desease control measures, quality level of African made goods too low.

- Goods too expensive to compete

Generally, American goods are not price competitive on the african market because the U.S. Government does not subsidize exports like European and Asian countries.

There is little effort on the part of the US Government to promote the made in the USA lable to Africa (via Fares, Exhibits, Chambers of Commerce, etc...)

Basically trade has been low because the two sides do not really know each other.

Those were the reasons that prompted former US secretary of Commerce Late Row BROWN to say during the African African-American Summet in Dakar : it is the intention of the Us to no longer *concede the African Market to Europe»* .

C) THE MITIGATING MEASURES

1) Consider Subsaharan African in individual geographical areas

In our efforts to open up channels of trade between the US and Subsaharan African, one should not consoder the whole continent as one monolitic and homogeneous bloc.

Indeed this would be a great mistake for there are important differences and individual socio-economic realities relative to every country and for subregion.

The rational approach therefore should be to subdivide Subsaharan Africa into its four natural economic groups / areas and to divise a specific stratégy and action plan each of them.

These groups are :

a) WEST AFRICA

- The Economic Community of West African States (ECOWAS)

- The West Africa Economic and Monetary Union (UEMOA)

b) CENTRAL AFRICA

- Economic ans Monetary Union of Central African States (UEMEAC)

- Central African Economic and Customs Union (UEDEAC)

c) EAST AFRICA

Preferred Trade Area (PTA)

d) SOUTH AFRICA

Southern African Development Community (SADC)

2) Make Africa known

In order to get the US business community interested in doing business with Africa, the US Congress should assist in making the continent better known in the US. This could be achieved through :

a) Sponsoring periodic spot advertising clips showing the areas, the countries and opportunities available on the major US television netwoks (CNN, CBS, NBC, etc...) showing Africa's different areas, countries and oppostunities available.

b) Period organisations of fares, conferences, exhibits, etc.

c) Sponsoring the organisation of meetings and visits of business leaders to/from both sides.

There is in Africa a strong desire to work with the US. The African Community is reaching out to the US. With the appopriate incentives both sides can greatly benefit from this most desirable and overdue exchange.

3) The contribution of ATEPA Technologies

ATEPA Technologies would like to participate to this effort by focussing essentially on one geographic area : the Monetary and Economic Union of West Africa (UEMOA) and working from Dakar Senegal and Washington DC.

a) Characteristics of UEMOA

- Members = 8 West African countries, all french speaking except Guinea Bissau

(These are Benin, Burkina Faso, Ivoiry Coast, Guinea Bissau, Mali, Senegal and Togo)

- Single currency, the CFA Franc wich is fully backed by France and limit lessly convertible.

- Unified Trade Policies

- Free movement of goods and factors of production

- Each member country has specific investment promotion incentives including free industrial zones in Senegal and Togo, a Technopole in Senegal making this oldest african democracy the Sillicum Valley of Africa.

b) The Strategy of ATEPA Technologies

Create the appropriate environement to foster a cynergy between business people and corporations from the US and the UEMOA. This effort is designed for eventually lead to an increased level of trade, the creation of joint venture partnerships and overall economic growth mutually profitable to both sides.

In order to achieve the above mentionned objectives ATEPA Technologies has created a corporation called USWAN (the United States / West African Network) with intreconnected offices physically located in Dakar Senegal and Washington DC. This move is consistent with the views of the US first lady Hillary CLINTON who just completed a visit to Senegal.

MAJOR ACTIONS

- Loby in the US to promote the area and individual countries

- Through the use of INTERNET create a data bank where all parties can find answers to their business related questions.

- Create a club of business people from both sides (the West Africa / US business club). The club will foster continual communication flow between its members through E. mail, field trips and meetings held on a rotating basis in the US and West Africa, organize seminars, etc...

- Act as the focal point solving partnerships problems

- Introduce / recommand potential partners through the creation of an electronic opportunity bank (like OPIC)

- Conduct business checkings

- Assist corporations from both sides to :

. source goods and services needed

. get access to trade and investment financing sources

. iron out linguistic barriers by providind through INTERNET a line translation of documents

. in liaison with the US library of Congress and Jurisen support the initiatve of the African legal information netwok (ALIN)

. Maintain close contacts with African and US Authorities.

SENEGAL, GATE WAY OF AFRICA

The following are reasons we chose to establish the Africa office of USWAN in Dakar, Senegal :

- Senegal is the oldest Subsaharan democracy with a long tradition of freedom of speach and respect of human rights.

- The country was among the first to undertake the necessary legal reforms to create an unabling business environment in conformity with the IMF and World Bank Guidelines.

- Senegal has been and continues to be one of the strongest allies of the US in Subsaharan Africa.

- Senegal is the gate way of Africa. New York is almost at equal distance between San Francisco and Dakar. New York and Dakar are linked by direct daily flights.

CONCLUSIONS

ATEPA Technologies fully support this congressional initiative and is very greatful to the US Congress for having been given the opportunity to speak.

Pierre Goudiaby ATEPA
Chairman and Chief Executive Officer

US/WA*N - PRESENTATION

The United states/west African Network
Contents
US/WA*N Mission
A Full Service Human and Electronic Network

Services
A sampling of World Bank Documentation on the Importance of the Internet in Africa
eccsi
Corporate Profile
Team Profiles

US/WA *N Mission

The creation, development and management of the United States/West African Network (US/WA *N), will serve two critical agenda for the newly created west African Economic and Monetary Union:

To promote and enhance the goals, objectives and benefits of the union not only among its member nations but with the United States and its international funding organizations,

Through its myriad of practical services, the US/WA *N will serve to catalyze business capabilities, exchanges and trade between member nations and the United States.

The US/WA*N will thereby enable member nations to access broader multilateral opportunities and to contribute to the economic development and job creation that is vital for political stability and peace worldwide.

Meeting the Needs of the West African Economic and Monetary Union

The exciting and progressive creation of the west african Economic and Monetary Union should be fully supported by an organization that can both utilize human and electronic resources both in West Africa and the United States to ensure that the goals and objectives of the Union are fully recognize and supported by the United States public and private sector and that full trading capabilities and revenues are created.

In order to accomplish this task, a team of seasoned American and West African professionals will create the united States/ West African Network (US/WA *N)

Through its physical and electronic offices in Washington, DC,US/WA*N will constantly keep the American government and its financial institutions fully apprised of the progress and needs of the Union. Concurrently the US/WA *N will spearhead and maintain a campaign to encourage trade directed at American industry and west African businesses.

The trend in developping «networking» type trade organizations has been limited and oriented toward producing trade conferences, educational programs and intra-member communications , most often announcing trade opportunities.

With the advent of the affordable, immediate and universal, graphical/user friendly communication technologies available globally via the Internet, the opportunity to radically alter the existing «basic networking» paradigm into a full service global trading tool will be the stepping stone that will distinguish the US/WA *N as the technological leader in practical trade development services.

US/WA*N would not only offer the standard «networking» services traditionally associated with trade organizations, but would actually be the catalyst and medium for establishing, communication and «housing»' member trade date (catalogs, service information, images, etc.) through the electronic commerce world of the internet. As the organization grows, a plethora of services will be added to include a full range of information and assistance to nurture electronic commerce, such as obtaining funding from public and private sector entities, establishing credit rating systems, tracking systems for shipping, etc.

The US/WA *N will be uniaue and the first such organization to fully harness the endless advantages of 21 st centurey technology which is readily available yet not heretofore utilized under one umbrella to create dynamic trade opportunities for union Members. The world Bank fully understands and endorses the use of the Internet as a most powerful toll in accelerating trade and development worldwide .(see «why Internet in Africa»).

US/WA*N SERVICES

The below objectives of us/WA *N are followed by some suggested technological means to accomplish or enhance its goals :

Announce and promote the goals and objectives of the west African Economic and Monetary Union

The first section of the **US/WA*N** website will concentrate on an awareness campaign and will be devoted to :

1. An overview of the Union and its members,

2. Detailed sections on each member nation, which would include :

Demographics
Contacts Publics
and private Sector
Press Releases,
Articles, etc.
Success stories

3. A periodic e-mail newsletter to members of the American Government an Financial Institutions constantly bringing the Union and its achievements to be forefront in mind, especially when funding legislation is under consideration.

Identify and facilitate business, trade and investment opportunities for Union members in the United States and worldwide.

The creation and management of a master database, housed and maintained by **US/WA *N** that would include the following data on each member that will be made available via the Internet, fax or hard copy to all other members:

National Demographics and contacts

Company profile/Industry Classification/ Contacts

Company Catalog of its Products and/or Services

Credit Rating

Within **US/WA *N** website Domain, each member will have a webpage that will include some or all of the information in the **US/WA *N** database

Within the **US/WA *N** website Domain, each member will be able to transact full electronic commerce transactions with other members, such as :

Ordering, fulfillment, invoicing, Payment, Sales Management and Tracking, etc.

Facilitate access to contracts, subcontracts, investment capital and grants provided by private and public sector entities.

The **US/WA *N** will establish an international opportunities Internet Announcement Center for its members that would not only announce such opportunities but include all related documentation and applications and excecution advice

Links to Worldbank, Eximbank, USAID, etc. will be sorted for announcements and issues thate directly relate the Union Members.

Improve access to knowledge and cutting edge technologies .

The **US/WA *N** will hold multimedia Internet distance learning programs and create an archive of indispensable reference and knowledge material for government leaders, industrialists and the entrepreneur.

The service possibilities are endless. The full service concept is paramount in the US/WA *N distinguishing itself as the leader in the next generation of catalysts in trade development and success.

SENEGAL LOCATION

Senegal is located at the westernmost part of African continent.
Its boundaries include Mauritania in the North, Mali in the East, Guinea and Bissau in the South, and the Atlantic Ocean in the West. Its surface area totals 196.712 sq. Kms.

I RELIEF, HYDROGRAPHY, CLIMATE

Senegal is a flat country with sandy soils, except for South-eastern border, by the foothills of the Fouta Djallon mountains.

Four main rivers flow across the country : the Senegal river (1.700 kms long), the river Gambia (750 kms), the river Casamance (300 kms), and the Falémé river in the South-East.

Senegal has a tropical climate characterized by two seasons : a dry season from November to June, and a rainy season from July to October. Average temperature vary from 15° C to 40° C.

II POPULATION

Total population reaches eight million people with a growth rate of 2,9%

III COMMUNICATIONS

Senegal boasts one of the most modern communications networks in Africa. Dakar, the capital city, is quite modern and counts over 1,6 millions inhabitants.

Dakar also used to be capital of French West Africa. The country has modern port infrastructures and an international airport connecting several times daily the continent with Europe and America. The road network (14.358 kms) as well as the rail and airport networks are quite expanded.

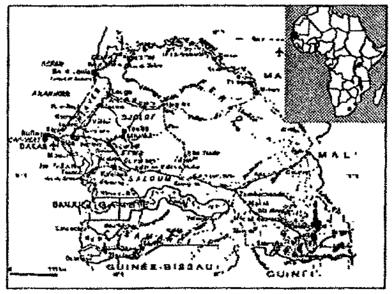
The telecommunications network of the country is also modern and recently connected to the INTERNET.

THE ECONOMY AT A GLANCE

Senegal's Gross Domestic Product was estimated at 3,159 millions CFA Francs in 1994. The CFA Franc (0.01 FF) is the currency of 14 countries of the sub-region and is convertible and freely transferable. Per capita income is at 195.000 CFA. F.

I MAJOR PRODUCTS

Phosphates 1,646,000 tons
Cereals 1.951 000 tons (of which 71% millet



Peanuts 963,000 tons
Fruits and Vegetables 250,000 tons
Fish 377,000 tons
Groundnut oil and cattle-cake 473,000 tons
Fertilizers 154,000 tons
Printed cotton fabric 4,444,000 meters

II RESOURCES

Mineral resources

Phosphates, gold, iron ore, diamonds, copper, chromium, ilmenite, marbre, limestone, attapulgite, ceramic clay, gas, oil, peat.

Hydraulic resources

The Diama and Manantali Hydro-agriculture and hydro-electrical dams were built within the framework of the River Senegal Harnessing Organization (Organisation pour la Mise en Valeur du Fleuve Senegal - OMVS). The Manantali dam should allow Senegal to create additionnal electrical energy which will be of paramount importance for the country's economic development. The Canal du Cayor project should supply the Dakar area with sufficient water.

Senegal's hydraulic program also includes a revitalization scheme of dried up valleys also known as the «Projet de Revitalisation des Vallées Fossiles».

Tourism

Senegal is a great tourist attraction. Hotel infrastructures, among which the KING FAHD flagship, include over 190 facilities totaling 7.600

Mining Resources In Senegal

POLITICS AND ADMINISTRATION

Senegal was independent in april 1960 and boasts a presidential, democratic regime which guarantees political stability.

The head of State (currently President Abdou Diouf) is elected for a 7 year term while Representatives at the National Assembly are elected for five years.

The mining sector is under management of the Ministry of Energy, Mineral Ressources, and Industry.

Administrative Division

There are 10 regions which are named after their regional capitals : Dakar, Thiès, Louga, Saint-Loouis, Tambacounda, Zigunchor, Kolda, Diourbel, Fatick and Kaolack.

Industrial Legislation

Not only does Senegal welcome foreign investors, the country also actively seeks investors'participation in the development of major mining projects. Foreign investors are encouraged by an investment code, a mining code (see Annex =a), and an oil code (Annex B) which all offer interessting tax benefits.

The Investment Code
Eligibility

Entreprises operating in the following sectors are eligible to the investment code's advantages : agriculture, fisheries, and animal resources, processing industries of agricultural, animal and sea products;

- Mineral exploration: exploitation and sales of mineral goods; mining industries;

-Tourism : promotion of the tourist industry and other hotel related activities ;

-Industrial development of cultural products and activities carried out by publishing SMES (books, newpapers and audio-visual products).

-SMES services in the sub-sectors of health, education and industrial equipment assembly and maintenance ;

-Development of hydro-agriculture and related services including studies and engineering;

-Banks and financial institutions :

-Trading complexes, construction and public works for investments not exceeding 400 million Cfa francs;

Criteria for accesss

A minimum investment of 5 million Cfa francs is required as well as the creation of at least 3 jobs to be eligible.

Personal investment of at least 20 % for SMES and 30% for larger companies is also required

Quick and simple administrative formalities for creation and approval of companies

Applications for authorization are examine within a maximum period of 30 days and all administrative formalities for creation are handled at a single counter known as «Guichet unique».

Taxation and Customs advantages regardless of project nature

In addition to the traditonal guarantees offered to investors, free transfer of capital and income is secured and the administration does not discriminate between nationals and foreigners. Others advantages granted cover bother investments and operations.

Furthermore, additional specific advantages are extended to Smes and enterprises which utilize local ressources, subsequently promoting technological innovation or activities located outside zone A.

The attached annex gives a summary of incentives.

Duration of authorization and zones of establishment

The duration of the validity of the advantage attached to operations varies from five to twelve years, subject to the zone of establishment :

-Five years for the regions of Dakar, Pikine, Rufisque ,and Bargny (zone A)

- Seven years for the regions of Sangalkam, Sebikotane, and Thiès (zone B)

- Ten years for the regions of Diourbel, Louga and Kaolack (Zone C)

-twelve years for the regions of Fatick, Kolda, Tambacounda, Ziguinchor and Saint-louis (Zone)

These advantages decrease over the last three years of the authorization going successively from 75 %, to 50 %, and 25 % of duties cherged.

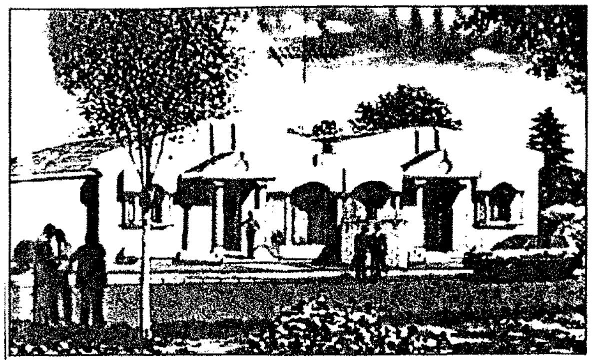
UEMOA ECONOMIC DATA FOR THE YEAR 1996

	Benin	Burkina Faso	Côte d'Ivoire	Mali	Niger	Senegal	Togo
Area (in sq. km)	115,800	274,122	322,500	1,240,000	1,267,000	197,000	56,600
Population (number of inhabitants)	5,000,000	10,200,000	13,500,000	8,600,000	8,500,000	7,900,000	3,800,000
GDP/Capita (in dollars)	424.3	287.8	753.0	326.0	274.1	713.4	353.2
Net foreign assets (in millions of dollars)	232.4	343.3	-2,023.0	229.6	170.6	-782.3	60.8
Total exports (in millions of dollars)	336.2 (*)	249.0	2,598.0	340.8	238.0	718.7	240.7
Total imports (in millions of dollars)	571.4 (*)	620.5	1,611.6	444.7	250.0	1,102.3	251.1
Main exports (in millions of dollars)	Cotton fiber 73.8 Cotton seeds 8.8 Oil 15.9	Cotton 78.4 Karitea 4.6 Livestock 29.0 Gold 28.6 Manganese 2.5	Cocoa beans 699.7 Raw coffee 159.0 Oil products 287.5 Timber 273.0 Cotton lint 117.0	Cotton lint 138.5 Livestock 104.2 Gold 61.5 Skins & leather 7.2	Uranium 161.5 Livestock 37.1 Beans (niébé) 1.65	Chemicals 70.2 Phosphate 47.0 Fish 42.7 Oil products 12.7	Coffee 11.3 Cotton lint 46.3 Phosphate 52.3
Main imports (in millions of dollars)	Food products 249.3 Oil products 47.0 Capital goods 98.2 Intermediate products 163.9 Consumer goods 113.7	Foods products 103.5 Oil products 49.1 Capital products 230.3 Intermediate products 42.4	Food products 405.5 Oil products 130.4 Capital goods 395.6	Consumer goods 119.0 Capital goodsl 73.8 Oil products 52.0	Consumer goods 134.0 Capital goods 73.1	Rice 83.0 Capital goods 3.1 Intermediate products 349.6 Oil products 124.0	Consumer goods 79.5 Capital goods 50.1 Oil products 22.2
Private foreign investments (in millions of dollars)	28.3	24.7	272.0	28.3	35.3	19.0	7.1
Sectors concerned by private foreign investments	Agriculture : cereals, fruit, vegetables, cattle and fishing Extractive industries Food industries Communications	Agriculture Mining industry Public works Transport and communications	Agriculture Pharmaceutical industries Plastic industries Oil industries Public works Iron and steel industries	Agriculture, cattle Mining industry Public works Communications	Agriculture, cattle Extractive industry Public works Transport and communications	Agriculture : peanuts Oil industries Extractive industries phosphate Telecommunications Transport and communications	Food crops, export crops Extractive industries : phosphates, clinker Manufacture : beverage, tobacco Energy Public works
Last two years'direct investments (in millions of dollars)	1992 = 8 8 1993 = 4.2	1992 = 4.2 1993 = 5.7	1992 = 44.2 1993 = 5.7	1992 = 10.7 1993 = 5.7	1992 = 11.3 1993 = 7.1	1992 = 21.9 1993 = 15.9	1992 = 9.2 1993 = 3.5
Investment Code	Liberal	Liberal	Liberal	Liberal	Liberal	Liberal	Liberal
Investment opportunities	Food crops Telecommunications Trade / distribution	Telecommunications trade/distribution Transport and communications	Agriculture Trade/distribution Industry Energy Transport and communications	Extraction Trade/distribution Telecommunications Transport and communications	Agriculture Extractive industries Public industries Public works	Extractive industry Telecommunications Public works	

(*) of which 220,7 millions of imports and reexports

Source : B.C.E.A.O.

EXTENSION PROPOSAL FOR BILLS TO COME
AFRICA HOUSING FUND



Purpose : To recommend establishment of a US$ 5 billion (low-cost) **Housing Fund for Africa** in order to build economic houses by the year 2003 to meet solvant demand in various African countries. Fund's equip will be equity divided between Africans and Americans.

Rationale : After hunger and health the major factor to ensure political stability, economic growth and social enhancement in Africa is adequate shelter for low income population. On the other hand prefabricated construction is certainly a field in which the USA has a significant technological lead and which can generate extensive trade between the USA and Africa.

Methodology : The Housing Fund is not meant to be another instrument of developement assistance. It will operate as an international bank which includes collect savings from potential future owners, operate a mutual guarantee facility and extend long term loans at market rates, issue bonds in the global capital markets by ensuring acceptable credit ratings, in other words be another ADB devoted to housing. African investors will be invited to hold significant equity shyareholding and participate in the management of the Fund. On the USA side those companies and financial institutions that will support to the Fund within a US tax incentive program.

Conclusion : African populations have understood that economic growth can not be achieved through developement aid and dependency. Therefore they desire another form of economic cooperation between an African markets (rather than countries) and a valuable supply of technological and industrial know-how from the USA. However these initiative need to be promoted by those who are familiar with both sides of the Atlantic ocean among who are the honorable members of the African Trade & Investment Advisory Group.

Pierre Goudiaby ATEPA
Architect

Mr. HOUGHTON. Thank you, Mr. Goudiaby.

Mr. Fall, would you testify, please.

STATEMENT OF PAPA NALLA FALL, PRESIDENT AND DIRECTOR GENERAL, GROUPE AFRIC-GESTION; NATIONAL COUNCIL OF EMPLOYERS IN SENEGAL; NATIONAL ASSOCIATION OF CONSULTANTS IN SENEGAL; SOCIETY FOR WOMEN AGAINST AIDS IN AFRICA; AND CARRIER AND EMPLOYMENT FORUM IN SENEGAL

Mr. FALL. Thank you very much, Mr. Chairman.

My name is Papa Nalla Fall. I am from Senegal. I didn't have the opportunity that Goudiaby has to study in the United States, but I am coming back to the States because I am a visiting professor of the Wharton School of Business in Philadelphia, and being a businessman as well as professional at the Wharton School of Business in Philadelphia, I think when I got the bill, I had two reactions. The first reaction is the first one of enthusiasm, my saying, at long last, we have won. And the second reaction is the reaction of saying, now what next?

So this is the next expectation. Why I was enthusiastic about the bill is the content of the bill. In order to achieve our growth objectives, it makes perfect sense to direct the funds to the development of infrastructure. All the speakers are talking about infrastructure in Africa, and I think it is a basic infrastructure that is needed to facilitate the circulation of goods, persons, capital, and make sure that what we call the poor people will have basics, growing local organizations can get there produce to the local market, to the national market, and to the international market.

The second thing is when we invest in infrastructure, particularly in education, and I am very well qualified to talk about education, because being at the entrepreneurial center of Niger and the entrepreneurial center of Philadelphia, I know why we have to invest in human resources, because without human resources we cannot make our infrastructure profitable, we cannot make our investment profitable, we cannot make the relationship you are building within this bill profitable.

We cannot make our investment profitable. We cannot make the relationship we are building within this year profitable for you and profitable for us.

So, therefore, the equity fund focused on promoting both investment in local entrepreneurship ventures and direct investment of U.S. firms with emphasis on joint ventures. Then we promote job creation, technology transfers, export of American equipment, goods and services.

Already, the U.S. export to Africa accounts for 100,000 American jobs, an output of current American aid and investment. It is very small, but if we increase that type of export, that would increase the job creation in the States and will not deplete job creation in the United States.

We are witnessing in Africa, and particularly in our part of the continent, an increasing amount of savings are being made by local entrepreneurs, be it man or woman, in what we call the informal sector. Those amounts of money are waiting to be invested in most productive and more modern aspects. That's why we need those basic infrastructures to be built up. So combine those savings locally that are looking for profitable investment.

The economic forum to be set up within this bill is also timely, because this is the only continent which does not have annual or biannual meetings with high level chiefs of state in Africa. We have it on the Francophone side. We have it on the Commonwealth. Why not have it with America?

And also, the last but not the least, the U.S. representative, to be very well versed in Africa and in trade in Africa and the investment in Africa, representing the U.S. Trade Secretary, could be also a member of that forum and could be also a type of implementing organization of the policy that would be discussed in that forum on an annual or biannual basis.

My concluding remark is, this morning I was listening to some people talking about the Marshall plan, and I think in June this will be the 50th anniversary of the Marshall plan and the Harvard address by George C. Marshall. I think this would be also the time whereby by passing this bill you will make also history, because the Marshall plan was history and this bill would also be another type of historymaking—between the relationship between Africa and the United States.

I thank you very much for listening.

[The prepared statement follows:]

Statement of Papa Nalla Fall, President and Director General, Groupe Afric-Gestion; National Council of Employers in Senegal; National Association of Consultants in Senegal; Society for Women Against AIDS in Africa; and Carrier and Employment Forum in Senegal

I - THE CONTEXT: "TRADE AND INVESTMENT" BUT NOT "AID"

For more than 30 years, the cooperation between Africa and the United States has been based on the concept of "Aid" but not " Trade and Investment". These ill-conceived programs directed towards the public sector and carried out by public organisms have produced some positive results and a lot of negative ones.

This approach has contributed to accentuating the dependency towards more aid, inflating public administrations, increasing public budgetary expenditures and depleting scarce local resources for non-productive investments. This has happened when Africa needed productive investments by private ventures, being it local or external. As a result, the African continent has been deprived of investments in basic infrastructures: transportation, telecommunications, energy and water supply. This has hampered the increase in production and exportof raw materials as well as manufactured goods.

It is not surprising therefore to notice that the African weight on world trade is a mere 2%, a pale figure in comparison to the vigorous Asian and Latin America emerging economies.

Recently, structural adjustment programs undertaken under the aegis of the World Bank and the IMF have created conducive conditions for more developmental activities, leaving the primary reponsibility to the private sector to grab opportunities and contribute more to the creation of wealth in the continent.

Advances in democracy in some countries and the attempts to promote good governance are also conducive conditions for economic development and creation of wealth.

These efforts need to be reinforced so as to build "a transition path from development assistance to economic self-reliance for those countries of Africa committed to economic and political reform, market incentives and private sector growth".

In presenting the Bill " Growth and Opportunity in Africa, the End of Dependency Act", the Honorable Congressmen Phil Crane, Charles Rangel and Jim McDermott have made a forceful analysis of the context and given foresight in devising an excellent strategy to end the African dependency on aid and economic assistance.

II - THE CONTENT OF THE BILL

This bill rightly emphasizes the private sector as the development engine in Africa. In order to achieve the growth objectives, it makes perfect sense to direct the funds to the development of infrastructure upon which private industry can rely for increased productivity. The added production should also reach markets more easily at all levels: local, regional and international, thanks to the improved infrastructure.

The equity fund should focus on promoting both investments in local entrepreneurship ventures and direct investments of US firms with an emphasis on joint ventures that will promote job creation, technology transfers, export of American equipment, goods and services.

An increasing amount of savings are being generated locally by a class of entrepreneurs belonging to the "informal sector", where women are very active and dynamic. These savings can be combined with foreign investments for increased revenues and returns on investment.

The Export-Import Bank initiative is also timely because it will contribute to guarantee the investments in Africa by extending loans and insurance. Boards of Directors experienced in African affairs and private enterprise could be a plus in promoting investments in the continent and reinforcing self monitoring and clean governance.

The establishment of US-Africa Economic Forum, to facilitate annual high level discussions of bilateral and or multicultural trade and investment policies and initiatives, will be in line with what is being done in Davos (World Economic Forum), la Rencontre des Chefs d'Etats Francophones, the Commonwealth Meetings. This will fill a vacuum and help break with colonial ties.

The negotiation and signing of free trade agreements with African countries or a block of African countries - for instance ECOWAS, SADC, etc - by the year 2020 will have tremendously positive impact on African economies. This will also be in line with what is being negotiated between the ACP countries and the European Union.

In this framework, the Textile Initiative or any other initiatives will be justified. This will not be promoted unless the countries have taken the necessary steps to adopt a "visa system" to guard against transshipment.

The strengthening of OPIC and the Export-Import Bank could be accompanied by the creation of a new position of Assistant United States Trade Representative for Africa. He or she will be responsible for implementing the policies in close cooperation with the US Africa Economic Forum to be established with branches in strategically selected countries (for instance, Ivory Coast, Senegal).

III - THE EXPECTED RESULTS

Recent reforms undertaken by countries such as Senegal are beginning to show promising results in terms of putting their economies back on the growth track. However, the consequences of the reforms such as impoverishment, population displacement and skyrocketing unemployment are already threatening the fragile advances. These reforms have often been insufficient to attract enough capital and therefore improve the purchasing power of the local populations. This is putting at risk the fragile democracy which has been achieved recently on our continent.

Foreign capital investment, rather than foreign aid is a necessary condition for sustained growth. Many opportunities exist in Africa today for investors to profit from its underutilized resources. It is merely a matter of establishing a set of legal, fiscal and institutional guidelines that both the investor and the host countries must abide by. The best way to prevent the misuse of any resources thus directed towards Africa is to emphasize partnerships with local private businesses and RESTRICT THE PUBLIC ADMINISTRATION to a supervisory role.

This Bill will provide an opportunity to produce the following results:

- a sustained growth and development in Africa through improved production capabilities.
- an increased production capacity for goods, services, equipment and investment.
- an increased technology transfer from the US to Africa.
- an increased export of capital and equipment from the US to Africa.
- a proven tool to promote good governance and democracy.

IV - CONCLUSION

The new approach developed in this Bill is in line with the new world context of "Trade and Investment" instead of "Aid". This is why we are strongly in favor of it. It is my belief that the passing a this Bill through Congress will open new levels of relationships between Africa and the United States.

My being here today to testify is a strong signal that the time has come for Africans and Americans to start a sincere partnership, devising ways to end our dependency on aid. We Africans are prepared to contribute in bringing oUr competencies, knowledge of the environment and underutilized natural resources.

This will build the long awaited bridge across the Atlantic Ocean and make the Atlantic Rim" a reality as strong as the "Pacific Rim". The African private sector is ready and this Bill is offering an unmatched opportunity to achieve this purpose.

Mr. HOUGHTON. Thank you very much, Mr. Fall.

Mr. Obi, would you like to testify?

STATEMENT OF JAMES E. OBI, CHAIRMAN, OBI GROUP, STAMFORD, CONNECTICUT; DIRECTOR, MANAGEMENT DEVELOPMENT, EQUITABLE FINANCIAL COMPANIES; MEMBER BUSINESS ADVISORY COMMITTEE, BUSINESS COUNCIL FOR THE UNITED NATIONS; AND MEMBER CORPORATE COUNCIL ON AFRICA

Mr. OBI. Thank you very much for the opportunity to appear before this Committee. I applaud the President and Members of Congress for the initiative to develop an African trade policy. I especially thank the Chairman of this Committee and Congressman Rangel and Mr. McDermott and all Members of this Subcommittee for the efforts that you have made to advance this bill.

My name is James Obi, chairman of the Obi Group, an organization devoted to business development in Africa, specifically natural resources and consumer goods. I am also the director of management development for the Equitable Financial Companies, a member of the Global AXA Group. I am a member of the Business Advisory Committee of the Business Council for the United Nations and a member of the Corporate Council on Africa.

I am an African-born American. I immigrated to the United States 30 years ago and built one of the largest life insurance and financial services agencies for the Equitable before forming the Obi Group 5 years ago in order to take back some of the things I have learned in this country to the continent of my birth.

Our group is about to build a carbonated soft drink and bottling distribution business in the country of Malawi and are now exploring gold through a joint venture in that country. At the same time, we are in discussion with various African countries on oil exploration.

I enthusiastically endorse the proposed legislation to develop free trade between Africa and the United States. This bill will be good for both.

I want to tell you a story that Ambassador Paul Hare, U.S. Special Representative to the Angolan peace process, told at a recent Attracting Capital to Africa Conference, organized by the Corporate Council on Africa. This is how he said Angolans tell the story:

At the beginning, when God created the world, he gave the best and most beautiful, richest parts to Angola. And so, the story goes, the rest of the world complained. Angola is, indeed, blessed. It is a beautiful country with majestic and breathtaking landscape. It is well endowed by nature. The land has good soil and river systems, making it potentially rich in agricultural production. Its oceans team with sea life.

Offshore, substantial oil reserves created over the millennium from deposits coming down from the rivers into the ocean have been discovered and exploited.

On the land itself, some of the best diamonds in the world are found, as well as other natural resources. Its people are hard working.

The land, if anything, is underpopulated, an area twice the size of Texas. The people are only 11 to 12 million in population. This is the promise of Angola.

The other side of the story of God's creation, according to Angolans, is the misfortune of the land, that its promise was to be unrealized until now. With some variations on this theme, the misfortune is generally attributed to the bad character that God gave the people of Angola and that, basically, they were scooped out from the bottom of the barrel.

This humorous story about Angola parallels the story of the rest of the Sub-Saharan Africa. With about 650 million people in 48 countries and huge natural resources, the market potential is enormous. However, for several decades, the economy was mismanaged. Now, the promise of Africa is about to be realized as more and more democratic political systems are replacing dictatorial regimes and market-based economic reforms are taking the place of statist economic policies.

In 1989, only four African countries were implementing democratic reforms. Today, over two-thirds are either democratic or are at some stage of democratic transition. Commitment to market reforms are growing.

A recent World Bank study stated that Africa's human capital has been significantly upgraded. One prominent American businessman said recently that Africa is the emerging market of the 21st century.

It is time for America to step up to the plate. The United States has an important stake in Africa's success since economic development of these African countries is dependent on increased trade and investment.

Africa's success can be America's success as well. For the past 15 years, Africa has led the world in rates of return on investments by American multinational firms in natural resources, manufacturing and services. UNCTAD calculated the average return during this period at 25 percent. This is much higher than the returns on American investments in Europe for the same period.

For example, in 1993, it was 25 percent, while the average return for similar ventures in all developing countries was 16.6 and 8.6 in developed countries.

But what is our record on trade? Between 1985 and 1994, U.S. exports grew at 3 percent per year. South Africa and Nigeria represent 62 percent of the total U.S. export market in Africa, with South Africa alone making up 50 percent. Angola, Cote d'Ivoire, Ghana, Ethiopia, Kenya and Zimbabwe account for about 19 percent but are capable of achieving rates of growth that would have significant positive impact on U.S. exports. Given the size of the Nigerian economy, there is enormous potential for U.S. export growth, when and if political and economic reforms finally take place.

Mozambique, Zambia, Botswana, Cameroon, Malawi, Uganda, Tanzania, all stable democratic countries, offer great potential for American exports as well. Zaire, in spite of her present difficulties, is a potentially large market.

This is a market that America is well positioned to dominate. America's most urgent needs—sorry. Africa's most urgent needs in the next 10 years are in areas where the United States has comparative advantage: energy, telecommunications, the need for computers and computerization are just a few of the huge untapped markets. Africans, many of whom have been educated in this country, and the educated class all like American goods and like America.

Let me just make a few recommendations and conclude my remarks.

First, this bill, which intends to impose eligibility requirements for these countries to participate, must be based on a level playingfield. It is important that the conditionalities be clear, firm and equally applied. Sliding and shifting conditionalities will discourage rather than encourage African countries from undertaking the necessary reforms that we seek. It must also be clearly communicated, those who fail to qualify must be told of their deficiencies and encouraged to make necessary corrections.

Criteria must be based on what is good for America and good and practical for the African countries, given their culture and environment.

Second, free trade: What does it mean to the African economy? Would we, through this bill, help promote intra-Africa trade? Efforts should be made to avoid the present trend where Africa's poor has been forced to exploit their resources for export while proceeds from such sales are used to import needed goods at a far higher rate.

Third, let's use this bill to reverse migration and stem brain drain from Africa. There are a number of trained African professionals in the United States. Present conditions in Africa make it difficult for them to return to their home countries. We can, through the Equity Fund Initiative, structure a program that will encourage them to return and start their own businesses.

Fourth, let's also try to leverage the funds from this bill by involving the African private sector. This will have the effect of multiplying the funds.

Let me conclude by stating that the time to act is now. For far too long, we have left the field for others; and they have profited from their investments. We have the superior technology and other differential advantages to make a positive impact in Africa while providing jobs for Americans. What we have lacked is the will. This bill provides it.

Thank you.

[The prepared statement follows:]

TESTIMONY OF JAMES E. OBI
CHAIRMAN OF THE OBI GROUP
before
THE COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON TRADE
on
TRADE WITH SUB-SAHARAN AFRICA
April 29, 1997
Room 1100, Longworth House Office Building

Thank you for giving me the opportunity to appear before this Committee. I applaud the President of the United States, President Bill Clinton and members of Congress for the initiative to develop an African Trade Policy. I especially want to thank you, Mr. Chairman, your co-sponsors of this Bill, Congressmen Rangel and McDermott and all members of this subcommittee for the efforts you have made to advance this Bill.

My name is James E. Obi, the Chairman of the Obi Group, an organization devoted to business development in Africa, specifically in Natural Resources and Consumer goods. I am also Director of Management Development for the Equitable Financial Companies, a member of the Global AXA Group. I am a member of the Business Advisory Committee of the Business Council for the United Nations and the Corporate Council on Africa.

An African-born American, I migrated to the United States 30 years ago and built one of the most successful Life Insurance and Financial Services Agencies for the Equitable before forming the Obi Group 5 years ago. What impelled me to form the Obi Group was a desire to transfer some of what I have learnt in this country to the continent that gave me birth. The Obi Group is in the process of building a carbonated soft drink bottling and distribution business in the country of Malawi, and are also exploring for gold in that country through a joint-venture. At the same time, we are in discussion with various African countries on Oil Exploration.

I enthusiastically endorse the proposed legislation to develop free trade between Africa and the United States. This Bill will be good for both.

Ambassador Paul J. Hare, US Special Representative to the Angolan Peace Process, in a presentation during the recent "Attracting Capital to Africa" Conference, organized by the Corporate Council on Africa, told a story that Angolans tell: "At the beginning, when God created the world, he gave the best, most beautiful, and richest parts to Angola. And, so the story goes, the rest of the world complained. Angola, is indeed, blessed. From the central highlands or PLANALTO sitting 4,000 to 6,000 feet above sea level, to the desert regions of the south, and the long coastline abutting the Atlantic Ocean, its varied landscape has a majestic, breathtaking beauty. The country is well endowed by nature. The land has good soil and river systems, making it potentially rich in agricultural production. Its oceans team with sea life. Offshore, substantial oil reserves created over the millennium from deposits coming down from the rivers into the ocean, have been discovered and exploited. On the land itself, some of the best diamonds in the world are found, as well as, other natural resources, such as iron ore, marble, phosphates, and granite. Its people are hardworking. The land, if anything, is under-populated, estimated at 11-12 million people in an area twice the size of Texas. This is the promise of Angola. The other side of the story of God's creation, according to the Angolans, is the misfortune of the land, that its promise was to be unrealized until now. With some variations on the theme, the misfortune is generally attributed to the 'bad' character that God gave to the people of Angola, that, basically, they were scooped out of the bottom of the barrel. Of course, the story is told humorously."

This humorous story of Angola parallels the story of the rest of the Sub-Saharan Africa. With about 650 million people in 48 countries, and huge natural resources, potential market is enormous. However for several decades the economy was mismanaged. Now the promise of Africa is about to be realized as more and more, democratic political systems are replacing dictatorial regimes and market-based economic reforms are taking the place of statist economic policies. In 1989, only 4 African countries were implementing democratic reforms. Today, over two-thirds are either democratic or are at some stage of democratic transition. Commitment to market reforms are growing. A recent World Bank study stated that Africa's human capital has been significantly upgraded. One prominent American business leader said recently that Africa is the emerging market of the 21st century.

It is time for America to step up to the plate. United States has an important stake in Africa's success since economic development of these African countries is dependent on increased trade and investment.

Africa's success can be America's success as well: For most of the past 15 years, Africa has led the world in rates of return on investments by American multinational firms in natural resources, manufacturing and services. UNCTAD calculated the average return to American investors in Africa at 25%. This is much higher than the returns on American investments in Europe for the same period. For example, in 1993 it was 25% while the average return for similar ventures in all developing countries was 16.6% and 8.6% in developed countries.

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This is a market that America is well positioned to dominate. Africa's most urgent needs in the next 10 years are in areas where the US has comparative advantage: Energy, telecommunications, the need for computers and computerization, are just a few of the huge untapped market. Africans like American products since a considerable number of the educated class received their education in America.

COMMENTS & RECOMMENDATIONS:

1. Level the playing field: The Bill will impose eligibility requirements for African countries in order to participate. It is important that the conditionalities be clear, firm and equally applied. Sliding and shifting conditionalities will discourage rather than encourage African countries from undertaking the necessary reforms. It must also be clearly communicated. Those who fail to qualify must be told of their deficiencies and encouraged to make necessary corrections. Criteria must be based on what is good for America and good and practical for the African countries given their culture and environment.

2. Free Trade: What does it mean for the African economy? Would we, through this bill help promote intra-Africa Trade? Efforts should be made to avoid the present trend where Africa's poor has been forced to exploit their resources for export while proceeds from such sales are used to import needed goods at a far higher rate.

As we seek agreement on Free Trade Areas, we should also address the following:

- **a. Liberalization of Trade Barriers**
- **b. Abolition of Trade barriers**
- **c. Common Tariff Policy**
- **d. Free movement of factors of production and commodities**
- **e. Harmonization of monetary and economic policies**

3. Reverse immigration and "brain drain": There are a number of trained African professionals in the United States. Present conditions in Africa make it difficult for them to return to their home countries. We can, through the Equity Fund Initiative, structure a program which would encourage them to return and start their own businesses.

4. Leverage the Equity fund: Wealthy Africans and African Financial institutions are more and more participating in investments in Africa. Joint-ventures with the private sector will have a multiplying effect on the Equity Fund initiative.

Let me conclude by stating that the time to act is now. For far too long, we have left the field for others and they have profited from their investments. We have the superior technology and the other differential advantages to make a positive impact in Africa while providing jobs for Americans. What we have lacked is the will, this Bill provides it.

Mr. HOUGHTON. Thank you very much, Mr. Obi, Mr. Goudiaby and Mr. Fall.

Now I would like to turn the platform over to Mr. Rangel, who will inquire.

Mr. RANGEL. Well, I don't think I will. The eloquence of the testimony on this panel in particular, because you have traveled so long to get here, and the fact that this morning we had the Speaker of the House, we had representatives from the President's offices, we had Republicans and Democrats, and so it is an exciting period. It is a great opportunity. It is a no-lose. If we did nothing, it creates an atmosphere where people of good will are trying to understand each other, trying to find out what we think you need by asking you what you need and putting it together.

And so no matter what we have here, it is just a vehicle for goodwill, rehabilitation of relationships, the rebuilding of Africa, the provisions of hope and dreams and jobs on both sides of the Atlantic; and we can only hope and pray that it moves as fast and becomes as successful as we all hope it will be.

So you made a great trip. I hope I can take back home our hopes with you that we will have a better America and a better Africa. Thank you.

Mr. HOUGHTON. Thank you very much, Mr. Rangel.

Mr. McDermott.

Mr. MCDERMOTT. Thank you, Mr. Chairman. I want to take the opportunity to ask a question of Mr. Fall and Mr. Goudiaby.

I read in your brochure, Mr. Goudiaby, that there is a central currency, a single currency—the CFA franc and the countries that are involved in it. And one of the questions that comes to mind or that sometimes people raise in this country is, well, we can't go do business in a Francophone country because they will—the French Government will one way or another make things so that it can't work and somehow we won't be dealing with a level playingfield.

Can you respond to that question? Because I think it is one of those things that people who do not understand Africa sometimes are swayed by believing that somehow we have to cede certain parts of Africa to the French because they have stabilized the currency and whatever.

And Mr. Fall as well, both of you, if you have some comment on this whole area it would help me to understand what you anticipate an American businessman would face going into that area of the world.

Mr. FALL. Thank you very much, Congressman McDermott. I think it is a very interesting question, and I will elaborate on that question, because that question will be raised again in 1999 when we get to the Euro—when the European currency will be Euro not the francs, the deutsche mark, the sterling, the lira and so forth.

Why that question will be raised, because it used to be that the CFA franc is pegged to the French francs; and the French treasury was guaranteeing the convertibility of the CFA francs. But since the devaluation in 1994, the direct convertibility is no longer valid. You have to have, between CFA francs and French francs, exchange rate. So, therefore, the exact rate which applies to dollars or sterling is applying to the French francs.

So, therefore, the answer to your question is not a question of you cannot do that because the French is so, so, so, so, so. The direct convertibility is no longer valid. So you have to go through the normal channel of exchange rate and using the exchange rate.

That is why I salute the fact that you are asking the Export Import Bank to become much more forceful and guaranteeing some investment outside, and also maybe helping through Fed to have the transfer of money and having the transfer back, depending on the conditions of that.

That is my answer to that—to your question.

Mr. GOUDIABY. I would just like to add that something very important happened right now. The Francophone countries, because those are the countries you referred to, have come to a point that they have been very disappointed; and most of our youngsters now, most of—a lot of them have gone to American universities outside France and Europe.

And also, because of the fact that the private sector is really having its way now, the private sector doesn't care if you are from

France or from America. What they want to know is if you want to do good business, well we will do business with you.

For example, right now, I was given by the Government of Guinea 1 million tons of bauxite to sell because they want me to build 300,000 housing units in Guinea. Well, I sent it through the Web, and I am waiting. So it is—what was true before is not true now.

And also, the other thing is, I talked about the education and that I was very grateful to have had an American education about 30 years ago. Well, now with the modern means of communication maybe there are modern ways of doing things that did not exist then.

And also, I think that the American people should know that Africa is not that far away. It takes me less time to get to New York than it would take you to get from New York to Los Angeles, and people have to know that. That is also a fact.

Now, coming back to the CFA zone and coming back to this fact that you are talking about free trade in the year 2020, I hope I will—I hope it will happen sooner so that I will be able to be part of it.

Mr. MCDERMOTT. So do I.

Mr. GOUDIABY. Now, that is just too far for us.

I thought you would say, well, we will do it tomorrow. And why do it tomorrow? Well, because we think that the time is ripe now, since all of these countries have gotten together, and the only thing is a shortcut to that.

For example, in the CFA zone, if you had established a business in a partnership—say, with an American firm, I establish a business in Senegal, if I manufacture goods from Senegal, I can sell it duty free throughout all the other seven countries of the region. So this is a wise way of having a shortcut to that growing market.

All you have to do is bring your technology, and we are not begging for money. We just want partnership. If someone puts $1 million, I put $1 million, it makes $2 million and we do business. That is what we want. Forget about the money.

Thank you.

Mr. MCDERMOTT. Thank you very much.

Mr. OBI. Sir, if I may also comment on your question.

I was part of a delegation by the Corporate Council on Africa, Trade and Outreach Mission recently, and we traveled to the Congo and the Cote d'Ivoire, countries that were previously under the French control. Our experience in the Cote d'Ivoire responds directly to your question about what the new environment is today versus what it used to be in these Francophone countries. Our experience was that in the Cote d'Ivoire, for example, the leadership went out of their way to solicit American businesspeople.

The President clearly said to us, look, in the past we were tied to France. It was a disadvantage. Because we were tied to France, we didn't get the most we could for our goods. Our business was not bid for competitively. We did not take advantage America's superior technology.

But that has changed. We have gone through the experience—of the devaluation. It was not to advantage. We have now opened up our market. We want American goods.

Let me give you some examples of what happened. There was a particular contract where France had bid. It was a privatization scheme. The government opened it up to a competitive bid. American companies bid higher than France did. France then upped their bid. As a result of that, they got more for that particular business than they would have gotten without American participation.

So now you find that they are making a very, very strong effort. They are trying very hard to attract American business. They like America. They want American business. They want American products.

Mr. MCDERMOTT. Thank you. I——

Mr. FALL. May I add just one remark, if you may allow me?

Mr. MCDERMOTT. Sure.

Mr. FALL. I don't know whether or not you have gone to New York. If you go to New York and see those—what we call the informal guys around Harlem and doing some business, they have—they are doing business in millions of millions of dollars, exporting goods from the United States to Africa in a manner that you cannot imagine for the time being. And those are doing it in dollars, so the French francs is not a constraint as far as doing business is concerned.

Mr. MCDERMOTT. Thank you. I appreciate your—I really elicited those questions because I want them in the record, because I think it is important for Americans to know that Francophone is not off-limits for American companies to go in and do good business. Thank you all for your testimony.

Chairman CRANE [presiding]. Mr. Jefferson.

Mr. JEFFERSON. Thank you, Mr. Chairman.

I want to also thank each of you for your very strong testimony. That is very helpful to my understanding of opportunities in Africa, and I think and I believe will be helpful to the understanding of American businesspeople about opportunities there. Americans generally can appreciate the opportunities that this bill presents for our common enterprises.

I want to ask Mr. Obi to elaborate on a statement he made in his testimony with regard to free trade. You said, "efforts should be made to avoid the present trend where Africa's poor have been forced to exploit their resources for export while proceeds from such sales are used to import needed goods at a far higher rate."

Could you elaborate on that statement and talk about what might be done to correct this problem?

Mr. OBI. I made that point not because I oppose free trade. I think it is very critical to poverty alleviation in Africa. I want to be very careful, though, that in introducing free trade we do not continue the errors of the past.

What happened in the past was simply that Africa, which has natural resources, people went to the land, tilled it, produced goods, sent them abroad. The resources were refined, sent back and we had to pay more for it. It had a drain on resources of those African countries. It didn't help them.

How we can correct that today? Through this bill, teach us how to better produce our goods at home. When we send them to you, you will pay us the market price for those goods.

When I say "we," I am talking as an African-born American. I am an American. So excuse me when I say "we."

When the goods are finished—at least Africans, those poor people, instead of taking that raw material and sending it abroad, let us finish them where they are. Let them finish them.

You can help.

Mr. JEFFERSON. I understand.

Mr. OBI. Raw material, the technology to teach us, will create jobs in this country.

Mr. JEFFERSON. I see.

Mr. OBI. And the ability to finish those goods in the finished form will also produce jobs in those countries in Africa and alleviate poverty, which this bill is intended to do.

Mr. JEFFERSON. Oh, I see. Your argument is for strengthening the private sector in Africa——

Mr. OBI. Yes.

Mr. JEFFERSON [continuing]. So that there can be value added to the raw materials?

Mr. OBI. Yes.

Mr. JEFFERSON. And the products can be exported which are more nearly finished products for sale at higher prices as they leave Africa?

Mr. OBI. Yes.

Mr. JEFFERSON. So they can be created on the African continent from the value added aspects of the manufacturing?

Mr. OBI. Indeed.

Mr. JEFFERSON. So this bill is meant to complement these two ideas of trade and investment. It talks about both of them and it talks about creating a private sector in Africa. It also talks about foreign direct investment or U.S. direct investment, locating there, taking with it the advantages of the technology transfer and of wage increases and change in the culture of the workplace and so many other things which I think go hand in glove to the things you are talking about here.

Let me ask Mr.—let me see. There is some discussion about—Mr. Goudiaby?

Mr. GOUDIABY. Yes.

Mr. JEFFERSON. That there be—that Africa be subdivided into four economic grouping or areas and a strategy and action plan be devised for each and not to treat the region as a single whole. That is part of what you said. Can you tell me what you are talking about there?

We have made a lot of points today about a regionalization. Regionalization is something that Africans have to address themselves. No one in this body or anywhere else can impose upon them a regional organizational structure. But there are peculiar advantages, we think, to a regional approach because they overcome some of the issues of small countries that won't be capable of taking advantage of a lot of the aspects of the bill but in use and with others can take advantage of them.

But can you elaborate more on what you mean by the structure you proposed here? Is it different from what we have talked about today or is it in line with our prior discussions?

Mr. GOUDIABY. Well, the thing is what I was trying to say is that when you want to approach the whole continent as one unit, you are making a big mistake. Because what is true for, let's say, the ECOWAS countries and even within the ECOWAS countries—as you well know, there are 16 of them—if you take what is proper to the Francophones, if you want to get into the Francophone market, it is a whole different new ball game.

Now, by using these entities, it is much easier to deal with one group of countries because the legislations are being the same and also it is much easier to implement.

If I take the example of the just-formed Economic Union of West African States, we are having almost the same legislation on everything. So when you come to Senegal or to the Ivory Coast, you address one of these countries, you are really addressing all of them.

And this is what President Sangor was saying, working with concentrical circles, whereas in West Africa we are organized, in central Africa they are organized, and so forth, and so forth; and all of those organizations will interconnect.

Also businesswise, if, for example—and that is what we want to do, creating this business, U.S. Is one thing. If you organize the businesspeople from one region, it is easier to make them meet. In one point, you say that, for example, we want to meet businessmen from ECOWAS in Senegal. You can just go to one country and meet all of them. You don't need to go through all of those.

So I think that the bill, this organization of the African countries, will really facilitate the implementation of the bill or whatever things you want to do with us.

Mr. JEFFERSON. So the four groups—if I might continue, Mr. Chairman, to ask the last question.

Chairman CRANE. Yes.

Mr. JEFFERSON. The four groups you talk about are the ones that we are familiar with now that already exist in Africa which are trying to operate as economic units. ECOWAS you talked about, SADC and EAC, and I guess the central—in the central part of the continent as well. Am I right on that, that is what you are talking about, dealing with——

Mr. GOUDIABY. Yes.

Mr. JEFFERSON [continuing]. Those four?

And you think that—you say that we are making a big mistake if you think about bilateral arrangement on this—on these issues. Do you mean the entire bill should be focused toward a regional approach to trade?

Mr. GOUDIABY. Well, maybe a big mistake was too strong a word. As I told you—a big mistake is probably too strong a word; but it is easier—I think it is easier to recognize that we are organizing ourselves into these regions——

Mr. JEFFERSON. I see.

Mr. GOUDIABY [continuing]. And work with them. But a big mistake may be too heavy a word for that.

Mr. JEFFERSON. OK. Well, I want to thank you again for your very clear testimony and for the help it gives us in working with the bill. Thank you a lot.

Chairman CRANE. Gentlemen, I apologize for my absence, but I had an important meeting in my office. I got your written testimony but not your oral. But I found out from Mr. Houghton that Mr. Goudiaby and Mr. Fall, both of you came here directly from Senegal for our hearing today; and I want to express profound appreciation to you for that major inconvenience. And then I found out it wasn't so bad. That is not as bad as going from here to Los Angeles.

Mr. GOUDIABY. It wasn't that bad.

Well, to follow up on that, Mr. Chairman, if I may, my suggestion would be that yourself and a Member of your Committee visit some of our African countries before the bill is passed. You will be greeted as heroes, and then you will know that this bill you are working on is the most important thing that has happened to Africa in a decade. So you are welcome, and we are waiting for you.

Chairman CRANE. Well, we look forward to that opportunity, too. I haven't visited the African continent—oh, it has been over 20 years now. I am sure there are significant changes that have occurred since I was there last. But we look forward to that and, ideally, getting our whole Trade Subcommittee over there.

I want to thank you all for your testimony and your appearance today. I trust you brought this beautiful sunny weather today.

Mr. GOUDIABY. Thank you very much.

Chairman CRANE. That all came from Senegal?

Mr. FALL. Yes, indeed.

Mr. GOUDIABY. Yes, indeed.

Well, there is something that was not mentioned in the bill, talking about Senegal. I mean, trade, you cannot disassociate trade from tourism; and as you probably don't know, Senegal is probably one of the best countries you could visit for tourism. So I invite all Members of Congress there and this—I know my Ambassador is listening. That is why I am saying that.

Thank you very much, indeed.

Chairman CRANE. Thank you all for your appearances today.

Our last panel now consists of Hon. Rush Taylor, vice president and senior Washington representative of the Equator Bank, on behalf of the U.S.-South Africa Business Council; Willie Grace Campbell, vice chairman of the board of directors for the African Development Foundation; Fassil Gabremariam—I hope I am pronouncing it right—president of the U.S.-Africa Free Enterprise Education Foundation; and Gmakhan Sherman, program associate for the Church World Service/Lutheran World Relief, on behalf of the U.S.-Africa Trade Policy Working Group for the Washington Office on Africa.

If you gentlemen will take your seats, we will proceed in the order that I introduced you.

We will start with you, Mr. Taylor.

STATEMENT OF HON. RUSH TAYLOR, VICE PRESIDENT AND SENIOR WASHINGTON REPRESENTATIVE, EQUATOR BANK, GLASTONBURY, CONNECTICUT, AND FORMER U.S. AMBASSADOR, TOGO; ON BEHALF OF THE U.S.-SOUTH AFRICA BUSINESS COUNCIL

Mr. TAYLOR. All right.

Mr. Chairman, Members of the Subcommittee on Trade, I am Rush Taylor, the vice president and senior Washington representative of Equator Bank. It is an honor to testify this afternoon on behalf of the U.S.-South Africa Business Council of which Equator is a member.

The Business Council is an association of 70 U.S. companies engaged in trade and investment in South Africa. The Council is sponsored by the National Foreign Trade Council, an association of over 500 U.S. companies, which are active internationally.

The Council is the only U.S.-based private sector organization devoted exclusively to South Africa, and it serves as the secretariat to the U.S.-South Africa Business Development Committee of the Gore-Mbeki Binational Commission. We at Equator are proud to be a member of this much-needed, highly effective organization.

Mr. Chairman, for over 20 years Equator Bank has operated exclusively in Sub-Saharan Africa. Our institution was founded with the belief that Africa presented an underserved market with enormous potential for a specialized financial institution.

We at Equator have worked in the majority of countries throughout the continent; and we presently have offices in Angola, Cote d'Ivoire, Ghana, Kenya, Mozambique, South Africa, Uganda, Zambia, as well as London, Nassau, Washington, and Glastonbury, Connecticut.

Our three lines of business are merchant banking, import-export trading and investment banking. Equator has provided trade financing, short- and medium-term lending and correspondent banking services in Africa since 1975. We have provided over $5 million in financing to African public and private clients.

Equator's trading company supports commercial activity and capital investments in Africa in such sectors as transport, communications, power, mining and housing. Much of this business involves U.S. suppliers. To name a few of them: Motorola, General Motors, Chrysler, Mack, Caterpillar, Kohler, McDonnell Douglas, Beechcraft, Bluebird.

Equator also arranges financing for existing private companies. We do privatizations and new ventures in Africa, as financial advisor and as manager of direct investment funds.

For example, the $25 million Africa Growth Fund, the AGF, which we manage, was launched in 1989 as the first initiative of its kind by the Overseas Private Investment Corporation and U.S. private corporate investors.

We are firmly convinced that the expansion of U.S. trade with and investment in Africa is the single greatest contribution our country can make to the continent's economic and political development. American business is finding profitable opportunities and economies on the continent where economic policies have been liberalized and where predictable frameworks for conducting business have emerged.

These are economies such as Cote d'Ivoire, Ghana and Benin in the west, Uganda and Ethiopia in the east, Mozambique, Botswana and South Africa in the south.

In all of these nations, two things have happened: Space has been created for private enterprise to flourish, and links have been created to the international economy. These can be magnet economies which, with appropriate public policies, can begin to reverse downward trends in neighboring states.

We believe that there needs to be a closer coordination of U.S. Government initiatives with private sector activities. We would, therefore, endorse measures to increase the capacity of the U.S. Government to foster closer economic ties between the United States and Sub-Saharan Africa, while at the same time increasing cooperation with U.S. corporations operating there.

The U.S.-South Africa Business Development Committee, which met last February in Cape Town, is an example of governments and private sectors collaborating to overcome impediments to greater commerce. Through this forum, the United States private sector has been able to stress to both of these governments the importance of a bilateral tax treaty, the protection of intellectual property rights and an open regional trading bloc in southern Africa.

Nowhere is this concept of ties between the United States and Africa private sectors more vividly demonstrated than at the Attracting Capital to Africa Summit Conference which the Corporate Council on Africa sponsored just last week. The enterprise brought together African heads of state and dozens of cabinet ministers and other senior officials with representatives of nearly 200 American corporations for 3 full days of networking and discussion of how to create the necessary environment for foreign and domestic investment, to catalyze the economic development of the continent. We at Equator are proud to be founding members of the Corporate Council.

We believe that there are four aspects of the U.S. commercial relationship with Africa which we urge the Subcommittee to take under serious consideration. These are: that there are significant opportunities in Africa for U.S. business; two, those opportunities will be expanded by a U.S. policy which gives priority to trade and investment with Africa; three, that policy should maximize coordination and cooperation with the U.S. private sector; and, finally, there are important lessons, specific lessons, to be learned from the experience of U.S. business in South Africa since the end of apartheid.

I would like now to quickly elaborate these four basic points. Number one is that significant opportunities exist in Africa for U.S. business. Trade between the United States and Africa has grown rapidly over the past few years. Two-way trade with Sub-Saharan Africa grew 11.4 percent in 1995, 18.2 percent in 1996, significantly outpacing America's overall worldwide trade.

Last year, U.S. exports to Africa increased by 14 percent and by 22 percent in 1995. This level of exports is nearly as much as the United States sold to the former Soviet Union and Eastern Europe combined.

Furthermore, the 1995 average return on the book value of U.S. direct investments in Africa was nearly 33 percent, compared to that of about 13 percent for investments in the Asian Pacific region and only 11 percent worldwide.

At the same time, the United States is Africa's leading foreign market, having purchased over 18 percent of the continent's exports. The U.S. exports about as much to South Africa alone as it does to Russia.

Number two is that U.S. policy which gives priority to trade with and investment in Africa will expand opportunities. We support the concept of legislation that establishes trade and investment as a U.S. policy priority. Such legislation will send important signals about our relations with the continent. Perhaps the most important is to make it clear that the U.S. Government understands that its relationship with Africa is based on mutual benefits and self-interest and not solely on foreign assistance for which resources are, in any event, diminishing.

We are not here in any way to denigrate the importance of official development and humanitarian assistance. Rather, we want to confirm that the future of the relationship lies in being trading partners, operating under internationally recognized trade and investment regimes.

The third point is that U.S. policy should maximize cooperation with the private sector. For the United States business community, advocacy by the U.S. Government of policies which facilitate trade and investment is perhaps the most important official role in countries where there is a significant American business presence. A clearly defined policy that trade and investment are the focus of U.S. engagement with Africa will make it clear to the governments of Africa that seek an alternative to long-term dependence on foreign assistance.

It will also signal that the success of their economic relationship with the United States, as well as the rest of the world, will depend on their adherence to internationally accepted practices in such areas as subsidies, protection of intellectual property, illicit payments and dispute settlement.

The final point is that important lessons are to be learned from the experience of U.S. business in South Africa. U.S. companies returning to South Africa have developed and instituted progressive programs in training, education and human resource development that can be used as examples for other areas in Sub-Saharan Africa.

The east Asian experience demonstrates that education and the significant enhancement of skills in the work force is a crucial factor to sustained economic growth. We encourage U.S. development assistance to work in partnership with the U.S. private sector to leverage available resources and technologies in order to promote education as the key to economic development.

Thank you again, Mr. Chairman and Members of the Committee, for giving us the opportunity to be here today; and allow me personally to commend you for this historic initiative. Thank you very much.

Chairman CRANE. Thank you.

Those bells indicate that we will be voting in about 15 minutes. So if you could try and keep your presentations to about 5, we guarantee all of your printed presentations will be made a matter of the record.

Ms. Campbell, you are next.

STATEMENT OF WILLIE GRACE CAMPBELL, VICE CHAIR, BOARD OF DIRECTORS, AFRICAN DEVELOPMENT FOUNDATION

Ms. CAMPBELL. Mine will be very short.

Mr. Crane, Mr. Rangel, Mr. Jefferson, I am very pleased to be invited to discuss this important and timely proposal.

My name is Willie Grace Campbell, and I am the vice chair of the African Development Foundation, a Federal agency established by the Congress in 1980 which provides economic assistance to African grassroots organizations and institutions involved in development projects at the local level. Currently, we fund projects in 14 countries in Africa.

I have submitted a full statement which I ask to be included in the record.

I would like to congratulate all of you, particularly Mr. Crane, Mr. Rangel and Mr. McDermott, for your leadership and your excellent analytic work and the extensive consultations undertaken by you and your respective staffs to shape the initiative and to build broad bipartisan support for it.

As a member of the Advisory Committee to the House African Trade and Investment Caucus, I experienced firsthand this inclusive and consultative approach; and I think you can see the results of that today.

As earlier panelists have noted, Africa offers excellent opportunities for trade and investment; it is the world's last large emerging market. U.S. trade with Africa is significant—it exceeds total U.S. exports to the countries of the Soviet Union—and it is growing.

Poverty, however, is pervasive and worsening: the World Bank estimates that, in 1993, there were 220 million Africans living on less than the equivalent of $1 per day. Moreover, the depth of poverty is much higher in Sub-Saharan Africa than any other region in the world. Yet there have been dramatic improvements in the macroeconomic and political environments across Africa. Africans are boldly tackling their problems and defining their own solutions. They are embracing democratic values and market-based economic principles.

This legislation will enable the United States to pursue a new relationship with Africa—a more mature relationship; a partnership built on mutual interests to promote peace and prosperity. I would like to use the remaining few minutes to discuss the four features of the legislation which are particularly important to the African Development Foundation.

First, the legislation recognizes the need for continued aid. Africa's problems require substantial foreign assistance: Specifically, Africa needs support to build indigenous institutions; local capacity, especially local economic capacity; to promote democratic governance; and improve food security and natural resource management.

Unfortunately, U.S. assistance to Africa has declined drastically in the last few years; and it is now at its lowest level since the late eighties. So I am pleased that the architects of this legislation wisely recognize that a comprehensive approach to development requires assistance, trade, and investment.

H.R. 1432 also highlights the need to give special attention to women entrepreneurs. Women are the backbone of Africa's predominately agrarian economy. They provide about 75 percent of all farm labor and produce most food, and they are extensively involved in off-farm entrepreneurial activities. Unless their productive capacities are recognized and resources made available to maximize them, economic growth will be stunted.

Additionally, ADF strongly endorses the decision to ensure that the private sector and nongovernmental organizations have maximum opportunity to contribute to the Economic Forum to formulate trade and investment policies and initiatives. While the precise mechanisms for information transfers have not been spelled out, the importance of ensuring a voice for those most affected by economic policy is clearly acknowledged in the bill.

In conclusion, I would like to address the role ADF will have in implementing this new initiative and how ADF's programs will play a critical role in helping achieve the legislation's objectives. Already, ADF is helping form the fundamental economic and political building blocks required to make this initiative successful through developing micro and small enterprises to lay the foundation for broad-based and equitable growth; and strengthening the fabric of civil society and promoting democratic values.

Micro and small enterprises are the source of dynamic, broad-based economic growth and provide links for expanding trade and investment. ADF has a unique capacity to assist micro and small enterprises, and it has a successful record of promoting vibrant enterprises.

In Uganda, ADF supported a vanilla production project which now markets its produce through the American spice giant, McCormick.

In Zimbabwe, we funded a carpentry cooperative spring cabinet. Today, they are one of the country's premier furniture manufacturers; and, they have been importing wood and materials from the United States.

Additionally, the Foundation's efforts to promote active participation at the local level strengthens democracy at the macro level.

In Cameroon, Committees established to manage and maintain ADF-water funded systems have become successful advocates for their communities on broader development matters, and beyond the local level.

The proposed legislation directs that ADF, "should develop and implement strategies promoting participation of grassroots and informal sector groups such as cooperatives, artisans and traders into the programs and initiatives established under this Act." ADF will deepen its current efforts, along the lines outlined. This will be a special programmatic initiative for the Foundation. So I hope that Members of this Committee and supporters of the legislation will endorse ADF's budget request at $14 million for fiscal year 1998. These funds will be critical to the Foundation's effective implementation of new strategies to develop micro and small enterprises and to strengthen civil society activities that directly support the trade and investment initiative.

I believe, Mr. Chairman, that this legislation can become a model trade and investment policy initiative which will promote broad-based, sustainable and equitable development in Africa. Africa is ready for it, and the African Development Foundation is ready to help implement it.

Thank you.

[The prepared statement follows:]

STATEMENT OF WILLIE GRACE CAMPBELL
VICE CHAIR OF THE BOARD OF DIRECTORS
OF THE AFRICAN DEVELOPMENT FOUNDATION

BEFORE THE
HOUSE WAYS AND MEANS COMMITTEE
SUBCOMMITTEE ON TRADE

APRIL 29, 1997

Good afternoon, Mr. Chairman and Honorable Members. I am very pleased to be invited to discuss this important and timely legislation to promote trade and investment with Africa. I have an intense interest in the subject, as a participant in the advisory group's earlier deliberations and as a member of the Board of Directors of the African Development Foundation which will be involved in implementing the new initiative.

I would like to congratulate you and Congressmen McDermott and Rangel for your leadership, your excellent analytic work, and the extensive consultations undertaken by you and your respective staffs to shape this initiative and to build broad understanding and bipartisan support for it.

Africa has tremendous untapped potential, but the continent, as a whole, has long been marginalized in American foreign policy. With significant improvements in the political and economic policy environments, the opportunities for forging peace and prosperity across the continent have probably never been greater. *The African Growth and Opportunity Act* will enable the United States to pursue a new relationship with Africa -- a more "mature" relationship; a partnership built on mutual interests -- to promote broad-based, sustainable development.

Africa offers excellent opportunities for trade and investment. While much smaller than our Asian or South American markets, U.S. trade with Africa is significant and it is growing. Over the past several years, American exports to Africa have actually exceeded total U.S. exports to the former states of the Soviet Union. In 1995, the United States exported goods valued at $5.4 billion to sub-Saharan Africa, a 22% increase over the previous year. This level of trade generates about 100,000 American jobs. U.S. direct investment in Africa grew by 25% in 1995. Last year, the business-oriented *Financial Times* (London) declared Africa to be "the final frontier of the world's emerging markets...producing dramatic returns" on investments. In fact, they are currently the highest in the world; in 1996, return on private investment in sub-Saharan Africa was estimated to be 33%, compared to 14% in Asia and 6-8% in Europe.

Many African countries are anxious to partner with the private sector and foster trade and investment. For example, next week (May 3-7) the heads of state from twelve southern African countries will meet with more than 200 regional and international business leaders to discuss "transforming Southern Africa into a growth center in the global economy."

However, poverty is pervasive and worsening in Africa: the World Bank estimates that in 1993 there were 220 million Africans living on less than the equivalent of one dollar (U.S. $1.00) per day of purchasing power. While every other developing region of the world has shown positive trends in purchasing power parity, Africa has declined since the early 1980s. Moreover, the depth of poverty (i.e. the extent to which people are below the poverty line) is much higher in sub-Saharan Africa than any other region of the world. While there are some encouraging signs of growth and progress across Africa, it is the only continent where poverty is projected to increase during the next decade. Finally, there is another foreboding trend: there is a large and growing gap between rich and poor in Africa; and, this inequality increases the threat of political or social upheaval.

Trade and investment have the *potential* to promote broad-based growth, but it will *not* occur naturally in Africa. The poor, especially rural Africans and women, risk being left further behind -- further marginalized, further disenfranchised. Aggressive efforts must be undertaken to forge linkages between the informal economy and the formal economy. This will enable micro and small enterprises to contribute to and benefit from trade and investment, and it will generate income and employment opportunities for the poor.

We at the African Development Foundation are pleased to support the proposed legislation. I believe the extensive consultative process has resulted in revisions which will help strengthen the initiative's developmental impact, as well as broaden support for it. I would like to focus my remarks on four provisions of the bill which we strongly endorse:

1) financing the initiative without diverting funds from other critically needed development assistance for Africa;
2) highlighting the need to give special attention to women entrepreneurs and employment opportunities for the poor;
3) assuring the involvement of the private sector and non-governmental organizations (NGOs) in the U.S. - Africa Economic Forum; and
4) specifying an important role for the African Development Foundation (ADF) in implementing the initiative.

The nature and magnitude of Africa's development challenges clearly demonstrate the need for more than traditional development assistance. Thus, this is a critical undertaking to tap important private sector resources to fuel economic growth. Equally true, however, there are things which public resources can best address. The governments of the "Asian tigers," with strong donor support, made the requisite investments in human development so that there could be broad participation in, and benefit from, the private sector-led growth that occurred in those countries.

American assistance to Africa has declined drastically in the last few years, and it is now at its lowest level since the late 1980s. But Africa also still needs official development assistance to: build indigenous institutions and local capacity; promote democratic governance; and improve food security and natural resource management. And statistics clearly show that Africa requires substantial public investments in health and education:

- infant mortality rates are 70% higher than Asia and more than double Latin America;
- child mortality rates are double Asia and more than triple Latin America;
- African fertility rates are twice that of the other developing regions;
- second school enrollment rates is two and half times higher in Asia and Latin America and only one out of every two adults in Africa is literate.

So, Mr. Chairman, I am pleased that the architects of this legislation wisely recognized that a trade and investment initiative will enhance cooperation with Africa, and they want it to complement what the United States is doing through its development assistance program, not jeopardize it. As the bill progresses through Congress, I hope the sponsors will continue to advocate that development assistance appropriations to Africa not be cut further.

I also strongly support the special attention you have given to African women and the poor. Women are the backbone -- literally and figuratively -- of Africa's predominately agrarian economy. They provide about 75% of all farm labor and produce most food, and they are extensively involved in off-farm entrepreneurial activities. They are the "invisible pillars" -- of their families, their communities, and the national well-being; their unique needs are often forgotten by agricultural research and extension services and by credit and business development programs. Unless their productive capacities are recognized and resources made available to maximize them, the growth of small business activities will be stunted.

I also endorse, Mr. Chairman, the decision to assure that the private sector and non-governmental organizations (NGOs) have maximum opportunity to contribute to the Economic Forum to formulate trade and investment policies and initiatives. Just as experience in our own country shows, different actors look at the same problem differently and can propose different solutions. Government officials will better understand the constraints to private sector expansion if business is at the table, and the impact of alternative development strategies is enlightened by NGOs who know and understand grassroots communities. While some would contend that such diverse participation will make it more difficult to reach decisions, I believe it will produce better policies and programs -- ones which are sustainable and promote broad-based growth; ones which are good for America and for Africa, good for business and for the people.

Finally, I would like to address the role the African Development Foundation will have in implementing this new initiative and how ADF's programs will play a critical role in helping achieve the legislation's objectives. Vibrant and sustainable trade and investment require a robust market -- with a growing number of consumers and suppliers -- and a stable political situation, characterized by good governance. ADF is helping form the most fundamental economic and political building blocks required for this initiative to be successful:

- developing micro and small enterprises to lay the foundation for broad-based and equitable growth; and
- strengthening the fabric of civil society and promoting democratic values.

Micro and small enterprises (MSEs) are the smallest units of economic activity. These enterprises generate jobs and income which not only alleviate poverty, but are also a source of dynamic, broad-based economic growth and provide links for expanding trade and investment. ADF has a unique capacity to assist MSEs, and it has a successful record of promoting vibrant enterprises. For example:

- In Uganda, ADF supported a silkworm cooperative, with some initial operating capital and training in production and processing, enabling its members to earn in one month more than the average Ugandan farmer can make in a year. Their silk is in high demand on the international market because of its excellent quality. Similarly, participants in a vanilla production project are marketing their produce through the American spice giant, McCormick.

- In Zimbabwe, ADF-supported micro and small enterprises and agribusinesses have created thousands of new jobs and are generating an estimated $6.6 million annually -- that's as much income in one year as total ADF funding to Zimbabwe since the program began 11 years ago. An ADF-funded carpentry cooperative is now one of the country's premier furniture manufacturers; and, it has begun importing wood and materials from the United States.

- In Cape Verde, a sewing cooperative was started by 8 people laid off when a state-run enterprise was privatized. Today, after only 3 years, it is the country's largest clothing manufacturer, with annual sales of $500,000, employing 60 workers. They have begun exporting their products, including selling T-shirts in Hawaii.

These were investments in people and in their entrepreneurial ideas. They did not require a lot of money, but they generated tremendous benefits. Additional income strengthens people's demand for new goods, and enterprise expansion creates a new trade "stream," in terms of both imports and exports.

I believe it is appropriate that the legislation targets the initiative at countries which are undertaking political, as well as economic, reforms. Private capital will move where there is a stable environment for sustainable return on investment. Moreover, transaction costs are less in open and transparent systems of governance. ADF's unique participatory development approach fosters pluralistic values and practices necessary to build stable and equitable democratic societies. The Foundation's efforts to promote active participation at the local level strengthens democracy at the macro level. ADF is strengthening civil society through building capacity of community groups to engage in civic action, at the local and national levels, and press for transparent and accountable governance.

- For example, in Cameroon, committees established to manage and maintain ADF-funded water systems have become successful advocates for their communities on broader development matters, and beyond the local level.

The proposed legislation directs that "the African Development Foundation should develop and implement strategies for promoting participation...of grassroots and informal sector groups such as cooperatives, artisans, and traders into the programs and initiatives established under this Act." ADF will deepen its current efforts, along the lines outlined above, Mr. Chairman. This will be a special programmatic initiative for the Foundation, so I hope that members of this Committee and supporters of the legislation will endorse ADF's budget request of $14.0 million for fiscal year 1998. These funds will be critical to the Foundation's effective implementation of new strategies to develop micro and small enterprise and build civil society that directly support the trade and investment initiative.

I believe, Mr. Chairman, that this legislation can become a model trade and investment policy initiative which will promote broad-based, sustainable development. Africa is ready for it. And the African Development Foundation is ready to help implement it.

Thank you.

Chairman CRANE. Thank you, Mrs. Campbell.

Mr. Gabremariam.

STATEMENT OF FASSIL GABREMARIAM, PRESIDENT AND FOUNDER, U.S.-AFRICA FREE ENTERPRISE EDUCATION FOUNDATION, INC., AND VICE PRESIDENT, FINANCE, INTERMEDIA COMMUNICATIONS, INC.

Mr. GABREMARIAM. Thank you, Mr. Chairman, Congressman Rangel, Congressman Jefferson.

In the interest of time, instead of reading my prepared text, I will just briefly go over the highlights and provide you some of my thoughts; and I would like your permission to submit this as part of the record.

I am a native of Ethiopia. I am the vice president of finance and treasurer of Intermedia Communications. I am here testifying in front of you as president and founder of the U.S.-Africa Free Enterprise Education Foundation.

I had a long recital on congratulating the Committee on such a historic effort, but I will skip through that one and go to some of the suggestions that I have, with your permission.

I think that there are certain ideas that would underlie a lot of things that we do at the Foundation, that maybe you would find useful.

One of them is mutual self-interest, that we don't do anything unless there is a mutual self-interest on the other side. I think it is in our self-interest that the purchasing power of the average African goes up, because if it doesn't they cannot afford to buy any of our products. So any type of initiative in policy that would encourage that would be helpful.

Aggressive advancement—and I place emphasis on aggressive advancement—on market reforms and democracy. I think a lot of the efforts that have been done in the past in the sixties and thereabouts have relied heavily on government and institutional approaches to solving fundamental economic problems, but I think releasing the private sector and allowing indigenous cultures to rise up and to do their business will be the best solution for Africa. And anything you can do to support that will be very helpful.

Selectivity. If there are scarce U.S. resources, instead of spreading it across the entire continent on the mediocrity performance, I think selective deployment of those capitals in those countries that are showing commitment to reform, and are definitely visibly showing progress, is much more important. It is better to create islands of success than several countries with mediocre performance.

Sustainability and stability. What we have witnessed in Rwanda is not an accident. The seeds of that problem were planted several years ago. Ethnicity and religious diversity in Africa is very wide and Africa cannot afford to go down that journey.

And inclusivity, I think—in the United States there is a recent immigrant community, as you have witnessed earlier. It is very well educated, very knowledgeable, has connections on the continent, understands the indigenous culture and can be an instrument of your ally.

I would like now to just briefly read some of the things that I have prepared, if you don't mind, about the Foundation's efforts.

One of them is, over the last 5 years the international trade component of our GNP as a nation has grown to over 33 percent. The most conservative estimates place this to be roughly around 50 percent by the year 2000. This means that one of two children currently now in our educational system are going to be directly or indirectly dependent on this industry for their livelihood.

In cooperation with the State of Florida, the business community, major universities, religious organizations, volunteers around the State, the Foundation has embarked on a campaign to prepare our youth for the fast-emerging global economy by using Africa as a model.

The Foundation is also exploring ways to utilize and build content into the information superhighway by forming sister school programs and exchanging text and other material between schools in Africa and some schools in Florida.

The second initiative that we have is the fast-growing component of U.S. economy in both employment and tax base, small- and medium-sized business and large segments of women and minority businesses. The emerging business segment of our Committee can be a very important strategy in advancing our strategic relationship with African countries.

They are nimble. They are conducive to the establishment of relationships with the small- and medium-sized businesses on the continent of Africa. However, this business requires easy and organized access to information from the United Nations, the World Bank, the IMF, MIGA, Import Export, OPIC and other similar organizations that are designed to assist businesses in trade development.

The Foundation, in cooperation with these institutions and African embassies, will be conducting quarterly seminars that we have named the "Doing Business in Africa" series in various communities around the State of Florida and subsequently around the Nation, to empower businesses with knowledge, access and support that has been previously mostly accessible to large corporations.

This information will also equip them with critical tools and information that they can use elsewhere in their global trading events.

The Foundation would also complement these services with trade missions, conferences, publications, resource centers, support global Web sites and cultural events.

Women are the largest unpaid, unrecognized economic development engine on the continent of Africa. The Foundation is currently developing a strategy with a product that has already been successfully tested in Latin America to create microloan programs for loans and businesses for women on the continent.

Several people in leadership positions believe that the State of Florida, with its proximity to the Caribbean, South and Central America and Africa, is poised to become the next Hong Kong. International trade has recently surpassed tourism as the number one industry for the State, with regular air services to the continent by South African Airways.

It is the only major tropical agricultural research center in the mainland United States. It is strong on environmental, water conservation, tourism, citrus phosphate industries, combined with its formidable ports and airports, the state is committed to that continent. The economy of scale and leverage the State can provide for emerging north and south trade is a strategic arsenal for the United States in any trade initiative with Africa.

Modern Africa is our root, all our root. She is our origin, and our commitment to her is profound. It does take a village to raise a child. It takes a whole lot of villages and parents to build a nation.

I hope you find this sampling of my inputs useful. And I will prefer to submit the whole thing rather than reading it and I appreciate the opportunity to testify.

[The prepared statement follows:]

Statement of Fassil Gabremariam, President and Founder, U.S.-Africa Free Enterprise Education Foundation, Inc., and Vice President, Finance, Intermedia Communications, Inc.

Mr. Chairman and members of the Subcommittee, my name is Fassil Gabremariam. I am the Vice President of Finance and Treasurer of Intermedia Communications, Inc. (ICI). I am here today in my capacity as President and Founder of the U.S.-Africa Free Enterprise Education Foundation.

"AFRICA" THE LAST FRONTIER

Africa is the "first" and the "last" frontier. "First" in that archeological evidence shows that Africa witnessed the birth and evolution of human kind, thus earning her the name "Mother Africa".

In some respects, she is also the "last" continent to fully realize the full benefits of human civilization which she participated in building.

Mother Africa covers almost 12 million square miles of the Earth's surface and has a population of more than 700 million or 10% of the world. She is one of the least densely populated continents. Her mineral reserves are immense and comprise the majority of the world's reserves in such important strategic minerals as gold, diamonds, cobalt, tantalum, phosphate, chromium and germanium. Also, Africa holds more than a quarter of the world's reserves in many other minerals and energy sources.

Africa also has a rich cultural history. Her civilizations have influenced children from all sectors of the Globe. She has the strength to endure pain and devastation of cataclysmic proportions.

The emergence of the United States as a global power after the Second World War gave birth to a spirit of freedom which substantially removed the institutions of colonization from the continent and provided the foundation for a new, promising and hopeful future. The Organization of Africa Unity and the Economic Commission for Africa, inspired by some enlightened African leaders, were created and began their work.

Unfortunately, this post Second World War euphoria gradually turned into a victim of global super power competition. Communism, Socialism and corrupt military dictatorships became the order of the day in most African countries. These systems and regimes caused physical, cultural, institutional and psychological devastation. The consequences still reverberate to this day.

With the collapse of communism, the only remaining superpower and its western allies declared victory and went back home to balance their check books, leaving behind the unfinished business of winning the real war, which is the conquest of the hearts and the minds of the people on the virtues and benefits of enlightened free enterprise and democracy. The dawn of the 21st Century has set yet another stage for a new beginning. The last vestiges of apartheid have been lifted and new hope has risen in South Africa. Several African countries have begun to demonstrate enlightened leadership by moving away from the vestiges of Communism by implementing political and economic reforms that will open opportunities, and by uniting people no matter what their religion, race or ethnic background.

When the cold war ended, President Bush spoke to us about the New World Order and the Thousand Points of Light, daring us to raise our spirits and hearts to the challenge. President Clinton has inspired us to commit ourselves, and those around us, not to fall victims to the messages of ethnic, religious and racial divisions, but to embrace a global village with promising prospects for all of us. Both of these leaders have tried to appeal to our hearts and minds to pick up the mantel on this unfinished business and to create a long shining moment in the eyes of Mother Africa and in her children all around the globe.

We are picking up the mantel, for it is only when Lions have Historians that hunters will cease to be heroes.

OUR VISION

To bring the children of Mother Africa, from all sectors of the globe, black, white and every complexion in between, together in the spirit of enlightened self-interest; to galvanize their resources to tap the enormous unrealized human and material potential Africa offers, while celebrating successes, recognizing champions and jointly enjoying the fruit of their labor.

OUR BELIEFS

We believe all humans, no matter what their race, ethnicity or national origin, share the same basic needs:

- The need to feel safe, secure and to spiritually fill themselves
- The need to physically sustain themselves,

- The need for acceptance, respect, love and belonging,
- The need to grow, to improve and realize their full potential,
- The need to extend oneself beyond the horizon, to dream to achieve.

We believe exploring, learning and sharing are the plots for a growing human understanding and human empathy.

We believe in a world that is getting smaller and closer, fueled by vibrant technologies and human imagination that thrives to quench its thirst for alleviating pain and suffering.

We believe in hope and humanity.

OUR MISSION

We will bring together the spirit of free enterprise and the heart of knowledge and humanitarianism by organizing positive self enriching economic, educational and cultural experiences that transcend racial, ethnic and religious divide in the United States and Africa.

OUR STRATEGY

To become a unique, credible, visible and creative economic empowerment organization in the United States and in Africa by:

- Creating programs and events that will capture the imagination, impart knowledge and create the opportunity to participate in economic self-empowerment.

- Building long lasting strategic partnerships and relationships with public and private sector organizations that share our vision

- Attracting and retaining a sizable membership in the Business Association.

- Bringing **volunteerism** and patronage to the Foundation to new heights by inspiring, motivating and recognizing young and old to join us in this exciting journey of opportunity, healing and self-awareness.

DESCRIPTION OF OUR ORGANIZATION

The U.S. Africa organization is a newly created Florida based entity that is committed to pursue the strengthening of economic and educational ties between the U.S. and Africa. The organization consists of the following legal entities that are designed to achieve maximum flexibility and reach to both the public and private sector.

The U.S.-Africa Free Enterprise Education Foundation, Inc., is a non-profit 501(C)(3) educational, research, and humanitarian organization , which will conduct events and programs that will help close the knowledge gap. The Foundation will strengthen its financial base by applying to grants from private and public sources and by attracting potential players and contributors from the private sector.

The U.S.-Africa Business Association, Inc. is a non-profit 501(c)(6) membership driven business association organized to promote bilateral trade and investment between the United States and Africa.

The Education Foundation and the Business Association will share facilities and certain management and organizational responsibilities.

STRATEGIC DIRECTION

This organization is about coming together to forge a vision for our community and future. We want to develop a new way of looking at where we live, the global community today and the global community we hope to be tomorrow. We are about breaking down barriers and building a genuine commitment to shared vision for a better future by focusing on Africa as a rallying point

The Strategic objective of the organization is to maximize the market share that the United States will capture on the African Continent by leveraging on the geographic proximity and other advantages that the State of Florida offers . All the Foundation's and Business Association's programs will be driven by the following major strategic thrusts.

- The first strategic thrust will focus on publicizing the positive progress that several African Countries are making and the creation of a more balanced perception of the continent. This thrust will also focus on programs and initiatives that will improve the purchasing power of the African people.

- The second strategic thrust is for the organization to conduct research on the State of Florida's competitive advantage, beyond its physical proximity to the continent, to capitalize on the emerging north/south trade and especially with the continent of Africa. The research will be designed to answer the following questions.

  ⇒ What are the important industry sectors that the State needs to focus on in order to maximize it's economic relationship with the continent?
  ⇒ What are the industries that would benefit from Florida's geographic proximity, not only to the continent of Africa, but also to the Caribbean and Latin America?
  ⇒ What specific countries on the continent of Africa offer ideal trading partnerships and why?

- The third thrust is for the organization to strengthen the State's competitive advantage by establishing "grass root" relationships through education in selected countries on the continent. These programs will not only enhance our children's preparedness for the global economy, they will also help cultivate relationships and networking for the future decision makers on both sides of the Atlantic through a variety of cost effective, technology driven programs.

- The fourth strategic thrust for the organization is to develop a strong working relationship with the recent African immigrant population in the United States and to leverage their experience, networking and cultural understanding to benefit them and the business community in the State of Florida and the United States.

- The fifth strategic thrust for the organization will focus in organizing forums, round tables, white papers and similar activities on Africa that will inform and engage the public and private sector on the fundamental building blocks of a modern economy and to gain awareness on their relative economic performance.

- The sixth strategic thrust will focus in organizing events and programs for the private sector with specific emphasis on small, medium and WMBE size businesses designed to inform and empower them to effectively utilize the tremendous institutional support available from the U.S. Government, International agencies and African Embassies. Access to these programs will not only help them on the continent but also their business dealings in other parts of the world.

THE U.S.-AFRICA EDUCATION FOUNDATION

The world economies consist of a diverse range of developmental stages. Some economies still languish in the Agriculture Age, others are just beginning to enjoy the rewards of the Industrial Age and a few are struggling with their transformation to the Information Age. This Information Age, however, is quietly revolutionizing all economies and building a platform for a faster integration into a more interdependent, knowledge based global economy.

The 21st century promises this global interdependence to grow and flourish. Economic activity between the Northern and Southern hemispheres will intensify and the economic potential that Africa has will be explored intensely, benefiting the continent and the global economy. For the United States to garner a larger share of the African market, investors will require a more thorough and fundamental understanding of the continent's varied historical, cultural, political and economical setting. Tomorrow's investors are today's children.

Education is power. Cross-cultural education helps to broaden an individual's horizon, break down ignorance and stereotypes, increase one's confidence and self-esteem and develop compassion and empathy for others. The Foundations programs are not about charity but about self-empowerment. In collaboration with our strategic partners, we will broaden our children's horizons and teach them the importance of globalization, knowledge, identity and understanding. Globalization is not a trend it is simply everyone's future. It is about breaking down the walls that separate all of us and working together towards building the development of humanity to the highest level possible.

In order to achieve these goals, the Foundation has designed and is implementing a series of unique and self-empowering educational programs by using Africa as a model. Programs that will prepare our children for the global future. Programs that will strengthen the ties between the United States and Africa and bring this and future generations closer together. These programs are being designed with the participation of professors throughout the State of Florida and other institutions around the nation, elementary and high school teachers. These creative educational programs will be implemented locally and will expand nationally and to Africa to be used as supplementary educational material.

THE FOUNDATION'S PROGRAMS:
THE AFRICAN BENCHMARK

In cooperation with prominent educational institutions the Foundation will explore new and creative ways of communicating economic progress of African countries in the following fundamental building blocks of economic development:

- Trade and Investment Liberalization.
- Development of the Private Sector.
- Economic and Regulatory Reforms.
- Political Transformation.
- Economic Growth and Activity.

This unique information will serve as an important tool to both businesses and educational institutions to gain appreciation to developments on the continent, on a more micro level.

The Foundation will also periodically sponsor white papers, scholarships and research projects on critical issues such as technology, health, the environment, culture, education and women's issues on the African Continent.

THE AFRICAN CONNECTION

Understanding and empathy are crucial to building and sustaining a stable long term relationship with the countries of Africa. In partnership with Educational institutions, the Foundation will develop programs and curriculum resources designed for students. These programs will compliment existing curricula in grades K-12 and will employ state-of -the art educational techniques and technology. The objectives are to provide for young students a previously overlooked foundation of knowledge; to stimulate in them insight and appreciation for the continent; and to stir enthusiasm, excitement, and eagerness to learn more; in short, The Foundation will create a unique connection with African countries.

"TRAVELING AROUND AFRICA": This exciting program will offer K-12 schools access to cultural knowledge on the countries of Africa. Our Resource Center will feature country by country suitcases filled with exciting videos, music, reference materials, sample art, popular dress, instruments (when available), photographs, etc.

These suitcases will be available by request to K-12 classrooms so that teachers will be able to provide cultural knowledge to our children in an exciting format.

"I SEE MYSELF IN YOU - JOURNEY TO AFRICA" : This program will allow American students to explore the African continent through the eyes of African students. The African and American children will each respond to questions posed by each other via e-mail. Using computer technology, satellites and animation, I SEE MYSELF IN YOU will explore the similarities children share, even though living in two very different environments.

Created in part by teachers, the format will allow students to celebrate their own empowerment to reach across the ocean and become friends with children from their sister cities and sister schools nearly three thousand miles away.

"THROUGH A CHILD'S IMAGINATION" ANNUAL WRITING CONTEST: The Foundation will organize an annual writing contest which will provide the opportunity for high school students in the State of Florida to "travel" back in time to Africa using their imagination and share the impact of history on our present and future. Each year this contest will feature different topics. This contest will give our children an appreciation for the need to come together and close the gap on human, ethnic and racial relations.

INTERNET CHAT ROOM : Through our home page, students will be able to communicate with each other and discuss pre-selected topics related to their everyday lives that will allow them to compare contrast and gain an appreciation for their similarities and differences.

SISTER SCHOOLS PROGRAM: In cooperation with pre-selected schools around the State of Florida and eventually around the country, we will facilitate the creation of a Sister Schools Program with schools on the African continent.

Other programs currently under development include:

U.S./AFRICA EDUCATION EXCHANGE: A program designed to provide to African teachers in K-12 training in educational methodologies, as well as leadership, community development and school administration techniques that are appropriate to the needs in a given locale and that compliment any initiatives already in place.

US-AFRICA EDUCATION NEWSLETTER: A quarterly newsletter designed for distribution among K-12 educators will include information about curriculum development, approaches being used in schools, student projects, Foundation projects, Education Resource Center additions and other timely information.

THE AFRICAN K-12 CURRICULUM: Housed in the Educational Resource Center, the curricula will include guides and lesson plans in African history, culture, literature, folklore, art, music, geography, business, economics, religions, customs, government, health, and environment.

THE INNER CITY LINKAGE: In cooperation with local, state and federal organizations, the Foundation will develop programs that will equip inner city youth and the unemployed with the knowledge tools necessary for economic self empowerment so they can become productively employed.

AFRICA RESOURCE CENTER

Our physical library will offer current political, economical, educational and cultural information on all African countries. We will also offer information on different multilateral institutions that deal particularly with Africa including issues on availability of funds, current projects, investment opportunities and trade leads. The library will also carry useful publications from African embassies and government agencies. We will also encourage students and schools to access our educational material for school research projects or community projects.

In addition to the physical library, our World Wide Web site will offer many services to our members through the Internet. People from all over the U.S. will be able to access our information library to obtain the most current statistical, economic, political, educational and trade information on every country in Africa. Detailed trade and investment information on the top 25 countries in Africa will be available for research and business purposes. Our web site (www.usafrica.com) will be our strategic information exchange and distance learning tool.

"TRADE MISSIONS WITH A HEART"

As an integral part of our annual trade mission, we will incorporate humanitarian programs that will focus on orphanages, mental health, educational and other similar institutions in Africa. In addition, business experts will have the opportunity to conduct self empowerment seminars to African communities and businesses on a variety of topics ranging from technology, capital formation to marketing and technical assistance in areas of their interest.

THE U.S.-AFRICA BUSINESS ASSOCIATION

The United States as the only superpower should have a strategic political and economic interest in seizing trade opportunities in Africa. In 1994, U.S. exports to Africa reached $6 billion dollars and supported well over 100,000 above average paying jobs in the domestic market. This exceeds U.S. exports to either Eastern Europe or the combined states of the former Soviet Union.

Currently, the U.S. share of the African market is less than 8% while Europe enjoys a 40% plus share. It is in the U.S.' interest to systematically engage and support U.S. companies to gain market share in Africa. We believe U.S. policy has to place equal emphasis on helping African countries improve their standard of living and purchasing power by aggressively promoting the rapid development of political and market reforms that are fundamental to attracting private capital.

According to recent U.S. government statistics, Africa has led the world in rates of return to U.S. businesses in the last 14 years. In 1993, U.S. companies earned an average of 25.5% return on their African investments, while their average return on similar ventures in all developing and developed countries were 16.6% and 8.6% respectively. These high rates of returns not only reflect the degree of perceived risk involved in initial investment, but they also illustrate the opportunities available for well considered investments.

THE ASSOCIATION'S PROGRAMS
THE "DOING BUSINESS IN AFRICA" SERIES

The "Doing Business in Africa" Series will be a quarterly seminar. These seminars will feature one to two African Countries and will provide comprehensive economic and cultural information providing business, economic and cultural information. These events will be especially designed to accommodate small, medium sized, minority and women businesses.

These seminars will host prominent guest speakers from Africa such as Ambassadors, Commercial Attaches, educators, and CEO's of businesses, small and large that are currently doing business on the continent.

In addition, international institutions such as The World Bank, African Development Bank, International Finance Corporation, Export- Import Bank of the United States, International Monetary Fund, Overseas Private Investment Corporation, Multilateral Investment Guarantee Agency, International Development Agency and the International Bank of Reconstruction and Development, will periodically provide information on available funds for a variety of projects, investment opportunities, guarantees, their overall view on the continent of Africa and the service they provide to businesses in order to facilitate trade and investment

"VENTURING INTERNATIONAL"

We will periodically offer a series of "step by step" seminars that will cover a variety of topics related to doing business internationally such as exporting, importing, letters of credit, documentation guidelines, developing international business plans, financing, etc.

In addition to the above programs, we will also offer:

- ***Networking***: Through a network of institutional relationships on the African Continent and in the United States, we will present business promoting events and programs on both sides of the Atlantic.

- ***Trade Missions***: Organize periodic trade missions in the U.S. and in Africa that will create opportunities for discussion and exchange of ideas with the public and private sectors in both the U.S. and Africa for the purpose of enhancing trade and investment.

- ***Trade Shows:*** Organize trade shows that will showcase the products and services of our membership to prospective customers on the continent.

- ***Matchmaking:*** Arrange special meetings and negotiating sessions for our members with selected public and private sector clients on the continent.

- ***Catalog Representation:*** For a very reasonable fee, showcase your company's marketing materials in selected International African trade shows and exhibitions for the purpose of providing a cost effective vehicle for attracting prospective clients.

THE U.S.-AFRICA TRADE AND INVESTMENT SYMPOSIUM

Total U.S. foreign trade with Africa in 1995 was more than $23.0 billion. With the steady growth of Africa's emerging markets, increased privatization and economic reforms the volume of investment and trade opportunities will rise. The U.S. government is keenly interested in assuring that U.S. businesses play a key role in these developments.

Across the continent, there are growing centers of commerce and industry that are relatively unexplored, specially the need for technology represents opportunity for U.S. involvement. Its pent-up demand ranging from infrastructure development to consumer goods is enormous. Africa has a strong historical tie with the U.S. which is unique and can be a source of a competitive lever.

The U.S.-Africa Trade & Investment Symposium is scheduled to take place in the fall of 1998, in Orlando, Florida. This prestigious biannual event will showcase several industries on the continent through business seminars, policy discussions, trade shows, networking, matchmaking and cultural celebrations and it will serve as a step to the long journey of economic empowerment and strengthening of ties between the United States and Africa. The State of Florida has made a strong commitment to officially endorse and become the lead sponsor of the activities of the Foundation, more especially the U.S.-Africa Trade & Investment Symposium.

At the Symposium, special roundtable sessions will be held for discussion between key government ministers and business leaders in Africa and the United States. Protocol functions will give internationally-known business and political leaders an opportunity to exchange issues of mutual concern

A promotional trade mission, summit meetings, trade exhibition and matchmaking will also be part of this exciting event.

In addition, the U.S.-Africa Trade & Investment Symposium seeks to achieve the following:

- Build awareness about Africa's growing market among U.S. business leaders and corporations.
- Develop minority, women and small business trade opportunities with Africa.
- Link potential trading partners through networking events, trade exhibitions and matchmaking.
- Provide cultural and education opportunities for U.S. and African students and educators.

Key areas of industry presentation and discussion will focus in the following areas: Agro-industry (horticulture, aquaculture, conservation, agriculture and fertilizers), Finance (capital formation, banking, financial services, securities, stocks and bonds), Healthcare (healthcare delivery systems, pharmaceuticals, equipment and education), Infrastructure (telecommunications, energy and transportation), Natural Resources (mining and petrochemicals), Selected Manufacturing Technology, Travel and Tourism and Information Technology (computers, peripheral equipment and Internet).

Complementing these topics, this event will also emphasize "how to" discussions related to trends and opportunities that affect business such as: historical, cultural, economic and geopolitical consideration, privatization trends, financing sources, marketing challenges, legal considerations, import/export opportunities and technology transfer.

MARKETING PLAN

Our primary markets are the business and education communities in the United States and Africa. We intend to utilize highly creative technology to deliver services cost effectively. The Foundation will also publicize through our web page in the Internet, public access system, speaking engagements, newsletters and our unique programs. In addition, we will focus on the following marketing strategies:

A. ***Honorary and Executive Board of Directors:*** By assembling visible and prestigious Boards, the Foundation will gain credibility and visibility that is consistent with our image. Our Honorary Board which is chaired by the Governor of the State of Florida has the most prominent public and private personalities around the State.

B. ***Advisory Board***: We are assembling a group of executives from several corporation to serve jointly with African embassy representatives.

C. ***Immigrant community:*** Part of our strategy will be to work with and involve the African Immigrant community in the U.S. Gaining their confidence and their support to achieve our goals. These are individuals who have experienced life on both, Africa and the U.S., and can offer their insight, their experience and their support.

D. ***Publications & Media***: The Foundation will periodically publish white papers, publications and research booklets on critical issues such as education, business, technology, health, environment, culture and women's issues on the African continent. Videos will also be produced covering the topics mentioned above and in addition, our "Doing Business in Africa" Series will be videotaped in order to be accessible to business people who are interested in learning more about the business culture and trade opportunities in the countries of Africa.

E. ***Fund Raising Strategy***: The Foundation will systematically engage in the development of a comprehensive fundraising program including grantmanship, major gift development and special events. Specific programmatic needs will be assessed and donor prospects identified appropriately. The Foundation is seeking funding from local, state and federal agencies, private foundations, leading corporations and participating African nations. In addition, special fundraising events will be held periodically to raise both funding and awareness about the programs and services offered by the Foundation.

F. ***Promotion Strategy:*** We will create awareness of the organization and demand for our services and products by designing and implementing an advertising and promotional strategy comprised of the following:

   1. ***Publicity and advertising programs***: An aggressive media relations and advertising campaign will be executed in order to promote the Foundation and the 1998 Trade & Investment Symposium. In order to achieve this we plan the following:

a. Production and release of media press releases and kits which will be sent to targeted media offices encouraging its coverage.

b. As our organization continues to develop and programs are in place, the media will be kept apprised in order for them to keep their audience informed.

c. Media coverage will also be secured in Africa related publications and trade publications targeting specific industries such as energy, telecommunications, textiles, agriculture, etc.

2. ***Usage of alternate media***: In addition to traditional coverage, alternate tools such as the Internet, newsletter, targeted broadcast faxes, university newsletters and government publications will be utilized.

3. ***Networking***: By working with targeted public and private partners, a greater audience will be reached and events will have the benefit of outside validation. This relationship is being built with other international organizations, universities, colleges, networking groups, etc. Presentations to these groups will be made in order to reach their audiences.

4. ***Direct Mail***: A series of direct mail campaign will be implemented to spark interest and participation. For example, in the case of the Trade & Investment Symposium, a staggered mailing will be done making the first piece a "catchy" one that may not specifically address the symposium but rather create curiosity. A follow up mailing will continue to build interest. Mailing will begin six moths prior to the event containing the symposium registration packets. Direct mailing of positive national articles will follow to further validate the symposium and the Foundation.

5. ***Video Production:*** A video is being professionally produced that embraces a powerful message while promoting our organization at the same time. This video will be distributed among large corporations, educational institutions, government agencies, potential contributors and others A detailed full color brochure will accompany our video in order to create a powerful presentation.

6. ***Internet***: The Foundation will utilize this powerful tool with the goal to reach a larger audience at an affordable cost. Our 130 world wide web pages will consist of information on the organization, our quarterly newsletter, a country profile section where twenty-five countries will initially be profiled, a forum room for children and a calendar of events. Plans are underway to create a separate web site targeting children. This site will present history, geography and culture in an interesting and attractive manner.

G. ***Strategic Alliances:*** The Foundation is currently developing strong strategic alliances with the following key organizations from the public and private sector:

- ***State of Florida***: A grant in the amount of $300,000 was obtained as seed money in order to organize the U.S.-Africa Trade & Investment Symposium.

- ***Enterprise Florida:*** The Foundation is working with Enterprise Florida to become a sub-contracting component whose responsibility will be to play a lead role in the State's business and economic development relationship with the continent of Africa.

- ***Universities in the State of Florida:*** An agreement is underway with the President of the University of South Florida in order to form a relationship that would strengthen the university's international initiative. The University has already formed a committee to draw up the work activities that have to be completed. The Foundation is at various level of discussion with at least six major public and private higher level educational institutions.

- ***The Academic Community:*** A group of professors, experts in the areas of Economics, Third World Development, K-12 education, Special Education and International Studies have become Associates of the Foundation to lead the curriculum development. In addition to university professors, this committee will also include teachers from K-12.

- ***Holland & Knight***: The most prominent and largest law firm in the State of Florida, has been instrumental in providing logistic and pro-bono legal service and it has been a critical and valued long-term partner in the development and building of this organization.

- ***Corporate Community:*** Several corporations have expressed a strong interest in the organizations initiatives and some already have made financial commitments.

TARGET MARKET

The U.S.-Africa organization has targeted the following 25 African countries as its initial focus. The selection is primarily driven by current trade patterns, our familiarity, logistics, expressed interest, etc. We intend to expand this list as our capability to handle expands.

Angola	Bostwana	Cameroon
Congo	Cote D'Ivoire	Egypt
Ethiopia	Gabon	Ghana
Kenya	Lesotho	Mali
Mauritania	Mauritius	Morocco
Mozambique	Namibia	Senegal
Sierra Leone	South Africa	Tanzania
Tunisia	Uganda	Zambia
Zimbabwe		

FUTURE SERVICES

1. *International Visitors Bureau*: The Foundation will apply for International Visitors Bureau status to attract prominent public and private sector African leaders to visit the State.

2. Provide project/sector analysis of a particular country in Africa through grants from international institutions and through collaboration with our strategic partners.

3. *Teacher's Workshops*: These workshops will be designed to guide teachers in the implementation of the supplemental material the Foundation is preparing on Africa.

4. *Internship Programs*: The Foundation will be working closely with local universities and colleges in order to offer students enrolled in international programs an opportunity for internship with the Foundation and the Business Association.

5. *Speakers' Bureau*: This bureau will offer businesses, agencies, educational institutions and others, a choice on an array of speakers in a variety of topics pertaining to Africa, the United States and global topics in general.

6. *Humanitarian Efforts* (Orphanages/Mental Institutions): The Foundation will create fundraising programs in order to assist orphanages and mental health institutions in Africa.

7. *Scholarships and Exchange Programs*: As the Foundations' funds grow and attain stability, a series of scholarships and exchange programs will be established.

8. *Executive Loan Program*: A program will be created where corporations will partner with the Foundation in order to bring Africa qualified individuals to work and oversee specific self-empowerment and third world development projects.

9. *Environmental Program*: The Foundation will organize a series of programs in order to educate people about the importance the environment plays in our lives and in Africa's future. Self-empowerment and self-sustaining projects will be designed by the Foundation in partnership with experts to avoid the destruction of the environment in order to attain economic survival by nearby inhabitants.

H. KEY SUCCESS FACTORS

The most important factors to the success of this Association is the reaching of the target communities it was designed to represent. For this purpose the organization has compiled an impressive list of individuals who have graciously accepted positions on our Honorary Board and our Board of Directors. It is these individuals who will lend their support in helping the organization realize its full potential.

- Form strategic partnerships with key academic institutions in order to create effective and innovative supplemental curriculum programs for schools.

- Provide current and timely information on issues and events concerning Africa, the United States and their relationship.

- Create unique and interactive programs that utilize the five senses of learning, giving children a complete feeling of what they are learning.
- Create curriculum that is relevant, updated, and useful to teachers from K-12. This curriculum will be created to close the existing education gap that currently takes place in our education system.
- Create, develop and manage unique empowerment focused programs for the Continent and the U.S.
- Design and implement a quality control and evaluation feedback process from our members, schools, communities and government.
- Develop and implement effective fundraising programs that will support each and all of our programs and projects.
- Develop activities and programs that will inspire and motivate our benefactors to become more involved with the Association.
- Assemble an impressive Honorary Board of Directors as well as an effective Executive Board to help bring the Association to new heights.
- Sustain funding support from Federal and State sources.

CONCLUSION

This organization's programs are unique and visionary. They will galvanize interest about the African continent, they will prepare our youth for global economy and they will provide the United States with a sustainable long-term competitive advantage in its trading relations with the continent. The financial investment requirement of $1.5 million will more than pay for itself several times over and will demonstrate a clear commitment to this valuable initiative.

Thank you for the opportunity to testify today. I look forward to working with you and the Subcommittee to advance our mutual objectives, and would be pleased to answer any questions you may have.

Chairman CRANE. Thank you.
Ms. Sherman.

STATEMENT OF GMAKHAN SHERMAN, PROGRAM ASSOCIATE, OFFICE ON DEVELOPMENT POLICY, CHURCH WORLD SERVICE/LUTHERAN WORLD RELIEF, ON BEHALF OF U.S.-AFRICA TRADE POLICY WORKING GROUP

Ms. SHERMAN. Thank you, Mr. Chairman.

Mr. Chairman, last August, a representative of the Washington Office testified before the Subcommittee on behalf of the U.S.-Africa Trade Policy Working Group. The working group is a coalition of faith-based, secular, nongovernment organizations working to promote expanded and equitable trade and foster broad-based and sustainable economic growth in Africa.

Our last testimony emphasized the importance of aid and debt relief as vital elements to trade enhancement measures. Since then, we have followed closely the emergence of the African Growth and Opportunity Act. We commend its authors on their diligence in soliciting the comments from a broad range of interested parties. We hope that it will be possible to gather further input from Africa and nonlabor organizations, and we would be prepared to assist in this effort.

We are pleased to see the incorporation of a strong endorsement of continuing development assistance in the African Growth and Opportunity Act. We congratulate the authors of this legislation on their acknowledgment that trade and aid are not mutually exclusive options. It is essential for U.S. policy to identify a flexible mix of policy instruments which can be tailored to differing national situations.

At the same time, we must be thinking strategically, recognizing that certain types of liberalizations are more likely to create beneficial opportunities for economically poor households than others. Similarly, we strongly support the inclusion of measures to extinguish bilateral debt and to reduce multilateral debt. The elmination of unsustainable debt burdens can contribute substantially to creating an enabling environment for trade, investment, and broad-based economic growth.

Mr. Chairman, our consultations with African nongovernmental organizations have reinforced our conviction that the basic criteria for evaluating all social and economic development initiatives must be the impact the action has on the most threatened and marginalized sectors of society. This includes women, rural dwellers, people with disabilities, economically poor and unemployed people, and the elderly. Consequently, we appreciate that the bill gives countries incentives to make poverty reduction an explicit objective of economic reform.

We endorse the creation of a $500 million fund to make infrastructure improvements, although we question whether OPIC is the most appropriate administrative agent for this fund. The success of efforts to promote investment and trade, particularly regional trade, will depend in part on the capacity of transportation, communications, and financial networks.

Equally important for sustainable human development and broad-based economic growth will be the development of human resources. We support the legislation's endorsements for the USAID Africa Food Security Initiative and urge that this funding be used in part to fulfill U.S. obligations with respect to the implementation of the Marrakesh decisions.

Recognizing the need for simultaneous action on multiple fronts—debt reduction, aid, trade, and conflict resolution—the members of our working group have begun to sketch an outline of a holistic approach. This framework is articulated in a statement to the June 1997 economic summit in Denver, a copy of which is attached to our testimony.

Mr. Chairman, although we recognize that it may not be feasible for any single piece of legislation to tackle such a diverse agenda, the African Growth and Opportunity Act touches on many of our key areas of concerns.

The brief interval between the release of the most recent version of the legislation and the deadline for submission of written testimony for this hearing has prevented us from offering a detailed assessment of the new bill. However, we support in principle the current version of the African Growth and Opportunity Act as a foundation on which the United States can begin to construct coherent and comprehensive policies with respect to Africa.

Thank you, Mr. Chairman.

[The prepared statement follows:]

Statement of Gmakhan Sherman, Program Associate, Office on Development Policy, Church World Service/Lutheran World Relief, on behalf of U.S.-Africa Trade Policy Working Group

On behalf of the US-Africa Trade Policy Working Group, I would like to thank the Chairperson and the members of the Subcommittee for inviting us to make a statement on US trade with sub-Saharan Africa. The Working Group is a coalition of faith-based and secular non-governmental organizations working to promote expanded and equitable trade relationships as one component of a comprehensive policy designed to foster broad-based and sustainable economic growth in Africa.

We appreciate the attention given to this important topic by the staff and members of the Subcommittee. We applaud, in particular, the work of Mr. Crane, Mr. McDermott, Mr. Rangel, and the other members of the Africa Trade and Investment Caucus in preparing one of the most important legislative initiatives on Africa in recent years, the Africa Growth and Opportunity Act (H.R. 1432).

Last August, a representative of the Washington Office on Africa offered testimony before this subcommittee that emphasized the importance of aid and debt relief as vital complements to trade enhancement measures. Since then, we have followed closely the emergence of the Africa Growth and Opportunity Act. We commend its authors on their diligence in soliciting the comments and concerns of a broad range of interested parties, and wish to express our appreciation for the many changes and amplifications which were made to earlier drafts.

In particular, we have been pleased to see the incorporation of a strong endorsement of continuing development assistance in the Africa Growth and Opportunity Act. We congratulate the authors of this legislation on their acknowledgment that **trade and aid are not mutually exclusive options.** It is essential for US policy to identify a flexible mix of policy instruments which can be tailored to differing national situations. At the same time, we must be thinking strategically, recognizing that certain types of liberalization, for example, are more likely to create beneficial opportunities for economically poor households than others.

Similarly, we strongly support the inclusion of measures to extinguish bilateral debt and to reduce multilateral debt. The elimination of unsustainable debt burdens can contribute substantially to creating an enabling environment for trade, investment, and broad-based economic growth.

The basic criterion for evaluating all social and economic development initiatives must be the impact the action has on the most threatened and marginalized sectors of society, especially women, rural dwellers, people with disabilities, economically poor and unemployed people, and the elderly. Consequently, we appreciate that the bill gives countries incentives to make poverty reduction an explicit objective of economic reform. Similarly, we endorse the creation of a $500 million fund to finance infrastructural improvements, although we question whether OPIC is the most appropriate administrative agent for this fund. The success of efforts to promote investment and trade, particularly regional trade, will depend in part on the capacity of transportation, communications, and financial networks.

Equally important for sustainable human development and broad-based economic growth will be the development of human resources through investment in health and education and the enhancement of personal security through improved agriculture, food security, and effective mechanisms for conflict resolution. We support the legislation's endorsement for the USAID Africa Food Security Initiative and urge that this funding be used in part to fulfill US obligations with respect to the implementation of the Marrakesh Decision.

Recognizing the need for simultaneous action on multiple fronts--debt, aid, trade, and investment, and conflict resolution--the members of the working group have begun to sketch the outlines of a such a holistic approach. This framework is articulated in a statement directed to the participants in the June 1997 Economic Summit in Denver. Excerpts from this statement appear below.

The statement calls upon the leaders of industrialized countries to:

- Endorse the HIPC Initiative as a valuable step toward the reduction of unsustainable debt burdens and commit to increasing the resources available for debt reduction and to accelerating the implementation schedule;
- Affirm the need for expanded development assistance programs and pledge to intensify efforts to ensure that aid furthers the development goals adopted by the OECD Development Assistance Committee in May 1996: "reducing poverty while achieving broadly-based economic growth; strengthening human and institutional capacities within nations to meet internal challenges and help avert further tragic cases of social disintegration and 'failed states'; improving the capacity of developing countries to contribute to the management and solution of global problems; and reinforcing the transformation of institutions and enabling environments to facilitate the emergence of developing countries and transition economies as growing trade and investment partners in the global economy;"
- Reaffirm a commitment to the implementation of the Marrakesh Decision on food security as a matter of the utmost urgency;
- Expand trade and investment ties with African nations and endorse the use of government policy to maximize the impact that such ties can have in reducing poverty, creating an enabling environment for the emergence of small and micro-enterprises, and promoting broadly-based economic growth throughout Africa; and
- Commit to working vigorously to secure a global ban on anti-personnel land mines through the Ottawa Initiative, which is to be signed in December 1997, and through the development of an international code of conduct for arms sales and transfers.

Although we recognize that it may not be feasible for any single piece of legislation to tackle such a diverse agenda, we are extremely pleased that the Africa Growth and Opportunity Act touches on many of our key areas of concern. The very brief interval between the release of the most recent version of the legislation and the deadline for the submission of written testimony for this hearing has prevented us from offering a detailed assessment of the amplifications included in the new bill. However, we support in principle the current version of the Africa Growth and Opportunity Act as a foundation on which the United States can begin to construct a more coherent and comprehensive set of policies with respect to Africa.

Excerpts from: Recognizing Africa's Success, Facilitating African Initiative

Industrialized countries have arrived at a critical juncture in their relations with African nations. Africa is poised at the brink of a "second independence," a wave of political, social, and economic change which may at last allow her peoples to transform societies distorted for generations by colonial conquest and superpower confrontation. The United States and other industrialized countries must discover ways of facilitating African efforts without imposing their own agendas. In anticipation of the 1997 Economic Summit in Denver, Colorado, we urge the participating leaders to be guided by the following general principles in their consideration of policies affecting African.

1.0 GENERAL PRINCIPLES

1.0.1 Recognize responsibility, interdependence, and shared interests

Assistance to African nations must not be seen as "charity." The legacies of colonialism and the Cold War have given unique dimensions to many of the social and developmental challenges which Africans face. Former colonial and Cold War powers must acknowledge a moral obligation to assist Africans in overcoming these obstacles. At the same time, we must recognize that in an increasingly interconnected world, a peaceful and prosperous Africa is in the best interests of all nations.

1.0.2 Support African initiatives

Africans are involved in an impressive range of initiatives, often at the community level, to tackle local social and economic problems. African leaders are not looking to industrialized countries for pre-packaged "solutions." The primary objective of industrialized nations should be to support and facilitate African initiatives, particularly those which promote broad-based economic growth. This includes programs intended to enhance local capacity for policy research, analysis, and design; strengthen local control and transparency of program implementation and management; and encourage the emergence of regional networks.

1.0.3 Give priority to economically poor majorities

The vast majority of Africans have limited economic resources. Policies and program should be explicitly designed to promote broad-based economic growth and address the needs of the poorest and most marginalized sectors of African societies. They should focus on creating opportunities for people, individually and collectively, to utilize their non-financial resources to achieve economic advancement.

1.0.4 Emphasize sustainability

Sustainability must become a central criterion for the assessment of all economic and social policy, not just in Africa but around the world. Sustainable human development improves living standards for all people on a stable and equitable basis while protecting the environment and resource base for future generations.

1.0.5 Coordinate and consult

Africa policy development within industrialized nations should be serious and systematic and should be informed by African perspectives from a broad cross-section of social and economic sectors. Policy makers should emphasize coordination, not only within their respective governments, but also among governments—both industrialized and African—and between governments and multilateral institutions—such as the United Nations and the World Bank—in order to promote strategic and effective deployment of resources.

1.0.6 Adopt a holistic approach

Africa policy should be holistic and integrated, maximizing the complementarity of programs and minimizing the risk that initiatives in one realm will be thwarted by actions (or inaction) in another. Comprehensive policy must embrace a range of options—including aid, trade, investment, and debt reduction. It should blend these instruments in different mixes depending on the specific conditions faced by various countries, but **not** present them as a hierarchy within which countries "graduate" from one level to another.

1.0.7 Challenge stereotypes

Officials of industrialized nations must reexamine their own assumptions about Africa and must also challenge their citizens to do so through extensive public education. Africa policy should be designed to highlight the continent's diversity, combat stereotypes, and promote creative and varied interaction between the peoples of Africa and other continents.

1.1 General Recommendations to Us Officials

Pursuant to these concerns and objectives, we submit the following general recommendations for action to US government officials:

1.1.1 Increase Africa's visibility

All branches of government—including, in particular, executive agencies—should support efforts to heighten Africa's visibility in the US in a manner which is designed to challenge, not reinforce, common stereotypes of the continent. The President and Secretary of State should visit Africa before the next Economic Summit.

1.1.2 Increased coordination on Africa policy

Africa programs must be assigned higher priority within all branches of the government and, especially, Executive agencies responsible for administering those programs must establish structures designed to maximize interagency coordination and foster the implementation of balanced and coherent policy.

1.1.3 Strengthen regional networks

Both Congress and Executive agencies should acknowledge and give priority to strengthening emerging regional networks within Africa. Specifically, this could involve the creation of interdepartmental working groups on Africa's major regions. It should also involve supporting the efforts of regional blocs to build their own policy research, design, and analysis and management capacities around permanent local institutions and personnel.

1.1.4 Ensure consultation

Consultation with Africans should become integral to the development and implementation of US foreign diplomatic and economic policy. Special effort should be made to involve representatives sectors which are often excluded from the policy-making process: women, rural dwellers, workers, youth.

2.0 DEBT

2.1 Africa's debt crisis

The total debt of sub-Saharan Africa (excluding South Africa) is now $199 billion, 20 percent higher than Africa's annual income and almost four times its yearly export earnings. The debt burden has exacerbated poverty in the region both directly, as servicing obligations drain resources from social spending, and indirectly, as it constrains African economies' ability to grow.

2.2 Responses to the African debt crisis

At the Halifax summit in June 1995, the Group of Seven (G-7) governments asked the multilateral financial institutions to look for solutions. This request coincided with the appointment of James Wolfensohn as President of the World Bank. Shortly after taking office, Wolfensohn went to Africa. He returned convinced of the need for action and appointed a Task Force to develop a plan to reduce debt. The ultimate result was the Highly Indebted Poor Countries (HIPC) debt relief initiative which was approved at the Annual Meetings of the World Bank and IMF in September of 1996.

2.3 The HIPC Initiative for debt relief

As the countries become eligible for debt relief under HIPC in the first half of 1997, advocates will be monitoring the initiative's implementation to ensure maximum debt reduction. In the meantime, we recommend that the following steps be taken to enhance the effectiveness of the HIPC framework.

2.4 Recommendations

2.4.1 Cut-off dates

Currently, only debt accrued before a country's first application to the Paris Club for bilateral debt rescheduling is eligible for debt reduction under HIPC. For most countries this cut-off date was in the early 1980's. The cut-off date should be moved to the early 1990's, followed by substantial reductions in bilateral debt. Congress should appropriate funds sufficient to cover the cost of this reduction—at minimum, the entire $22 million requested by the administration for Fiscal Year 1998, as well as further appropriations in the future if necessary.

2.4.2 Debt sustainability analysis

HIPC calls for debt sustainability to be calculated on the basis of a debt-to-export ratio of 200% to 250% and a debt service to export ratio of 20% to 25%. These ratios were derived from the experience of Latin American countries during the debt crisis of the 1980s—a situation which differs substantially from that faced by African nations today. Lower ratios should be used.

2.4.3 Time frame

Currently, countries must demonstrate satisfactory progress on economic reform for three years before becoming eligible for HIPC debt relief. After the initial three year period, a "decision point" is reached. Only then can they begin receiving concessional financing until the "completion point" three years later. This six-year time frame is too long given the urgent needs of these countries. It should be shortened, and past performance should be taken into account.

2.4.4 Conditionality

Conditionality should promote investment in health, education, and the environment, as well as citizens' participation in economic planning.

2.4.5 IMF loans vs. grants

The IMF contribution should take the form of grants, not loans. Only grants will effectively reduce debt overhang.

2.4.6 Uganda

Uganda is the first country to come up for debt relief under HIPC. At this writing, that relief appears likely to be delayed until April 1998 or April 1999. It sets a bad precedent for HIPC implementation when even a solid track record like Uganda's is not rewarded. The completion point for Uganda should be no later than September 1997.

3.0 DEVELOPMENT AID

3.2 Aid is central to sustainable development

Aid should not be thought of as charity but rather as a public investment in sustainable development to produce long-term benefits for both African countries and the United States and as complementary to and supportive of trade and private investment. Adequate, targeted aid–combined with debt relief to prevent a drain of domestic resources–can help facilitate the development of human capacity and of the social and physical infrastructure that are the essential foundation for reducing poverty and building a healthy, growing economy.

3.3 Inappropriate objectives undermine aid programs

US assistance to African countries in the past has not always been effective, in part because sustainable development was not always a central objective. Effectiveness suffers when primary stakeholders–small farmers, entrepreneurs, and others–are not consulted, and when benefits accrue to a small government-related elite rather than the broader population. Much multilateral aid, as recent internal World Bank studies acknowledge, was also marred, by the unfounded assumption that macroeconomic stabilization was in itself sufficient to set countries on the path of growth and poverty alleviation.

3.5 Recommendations

3.5.1 Evaluate program effectiveness and sustainability

3.5.2 Affirm the role of development aid

3.5.3 Enhance World Bank commitment to poverty reduction, stakeholder assessment

3.5.4 Ensure timely implementation of multilateral initiatives

3.5.5 Increase support for the Development Fund for Africa

In view of decreases since FY 1995 in bilateral development assistance for Africa, the US Congress should preserve the Development Fund for Africa (DFA) as an individual account and increase it incrementally from $700 million in FY 1998 by at least ten percent annually through FY 2000. Increases should not be drawn from development assistance or economic support for Asia or Latin America but should come instead from increases overall or from other accounts or regional programs.

3.5.6 Emphasize poverty reduction in US bilateral commitments

The United States must give greater weight to government commitment to poverty reduction and sustainable development in bilateral country allocations. In cases where governments have weak commitment, assistance should be channeled through nongovernmental organizations.

3.5.7 Expand commitment to the African Development Foundation

To acknowledge the important role of the African Development Foundation (ADF) in engaging and supporting community level organizations and self-help initiatives, Congress should increase ADF funding incrementally from $14 million in FY 1998 to $16 million in FY 1999 and $18 million in FY 2000.

3.5.8 Replenish and reform IDA

Recognizing that IDA is an important source of development finance for African countries, Congress should approve the Administration's request for clearing IDA X arrearages and fully funding IDA XI in FY 1998, while working to promote continued reforms. Congress and the Administration must draw the nongovernmental (NGO) community into three-way discussions to elaborate a more comprehensive reform agenda for the IDA XII negotiations.

4.0 AGRICULTURE AND FOOD SECURITY

4.1 Pervasive and growing hunger

According to the Food and Agriculture Organization of the United Nations (FAO), over the past 25 years, food security[1] has deteriorated significantly in sub-Saharan Africa. Between the periods 1969-1971 and 1990-1992, the proportion of the region's population with inadequate access to food rose from 38% to 43%, while the absolute number of hungry people doubled, from 103 million to 215 million. Forty-one of the 82 nations which FAO classifies as Low-Income Food Deficit Countries (LIFDCs) are in Africa.

4.7 Unfulfilled promises

The November 1996 World Food Summit called the persistence of hunger in Africa "unacceptable," and pressed for action to reverse present trends. The 1994 Uruguay Round agreement includes the "Decision on Measures concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food Importing Countries (Marrakesh Decision)." This directs that, if trade liberalization adversely affects food security in the LIFDCs, they should receive adequate levels of food aid, preferential access to bilateral and multilateral credits for food imports, and technical and financial aid to improve their own food production. The Food Summit Plan of Action, adopted by consensus, called upon members of the World Trade Organization to "fully implement" the Marrakesh Decision, and separately encouraged additional aid to agriculture and rural development.

However, the WTO Ministerial Meeting in December 1996 agreed only to encourage discussions among food aid donor and recipient governments about targeting food aid to LIFDCs. There has been no movement on other aspects of the Marrakesh Decision.

4.8 RECOMMENDATIONS

4.8.1 Implement Marrakesh Decision

4.8.3 Recognize food security as a pivotal issue for child survival

4.8.4 Announce renewed commitment to food security

Congress should give explicit support to the new ten-year USAID initiative, "Promoting Food Security: Africa and Beyond," and should appropriate funds to enable USAID to expand annual commitments under this program beyond the $30 million designated for the pilot program in FY 1997.

4.8.5 Prioritize food aid to rural poor; expand local purchasing

4.8.6 Link relief and development

Emergency food aid should emphasize linking relief and development, e.g., through food-for-work activities aimed at rehabilitation. Aid to refugees and internally displaced people should include not just food aid, but opportunities to engage in agriculture, paid employment, and trade, even in camp settings. Support for conflict resolution and prevention is essential to achieving food security in Africa.

4.8.7 Replenish Food Security Commodity Reserve

4.8.8 Reestablish Farmer Owned Reserve

4.8.9 Focus assistance on sustainable, small-farm agriculture

A greater proportion of bilateral and multilateral aid resources should go to support sustainable, small-farm agriculture, as well as greater on- and off-farm economic opportunities for rural poor people, especially women.

4.8.10 Support agricultural research; promote stakeholder involvement, local leadership

5.0 TRADE AND INVESTMENT

5.1 Trade and investment essential to sustainable development

5.2 US trade with Africa already extensive

US trade with Southern Africa is roughly comparable to that of the US with the former Soviet Union, while US trade with West Africa is 50% more than US trade with Eastern Europe. As the Office of the US Trade Representative noted recently, "The United States has a growing strategic and commercial stake in expansion of Sub-Saharan African trade flows as the region already exports products worth $12 billion to the United States and is a growing market for US goods. US merchandise exports to the region jumped nearly 23 percent in 1995, to $5.4 billion."

5.3 Trade cannot be a substitute for aid

The diverse experiences of East and Southeast Asian countries show that taking advantage of market opportunities requires not only liberalization and export orientation, but also massive investments in state

[1] Food security means assured access for every person, primarily by production or purchase, to enough safe, nutritious, and culturally acceptable food to sustain an active and healthy life with dignity.

capacity and human resource development. Creating the basis for such development requires concurrent action to promote investment in social and physical infrastructure through targeted foreign assistance, facilitate trade and investment, and address the pressing issue of debt overhang.

5.4 Trade initiatives must enhance African access to foreign markets

5.7 RECOMMENDATIONS

5.7.1 Facilitate the growth and policy analysis capacity of regional economic institutions

5.7.2 Support central elements of the Africa Growth and Opportunity Act

5.7.3 Reverse trade missions

The Department of Commerce and the Office of the US Trade Representative expand its recently introduced program of "reverse trade missions" to assist African producers and entrepreneurs to gain greater familiarity with US markets, export opportunities, and trade regulations.

5.7.4 Expand microcredit in ways which build capacity in the voluntary sector

5.7.5 Renew and reform GSP; provide expanded technical assistance

Congress should renew GSP beyond May 1997 and should make the program more relevant to African nations by revising and simplifying the schedule of goods eligible for tariff reduction, making it more consistent with principles of sustainable development, and giving priority to countries with the greatest need, as indicated by both economic and social data. In addition, the relevant Executive branch agencies should offer expanded technical support facilities at US embassies in Africa to enable African producers and merchants to utilize this program fully.

5.7.6 Incorporate environmental and labor rights protections in all trade agreements

6.0 CONFLICT RESOLUTION

6.1 Conflict remains a challenge to development in Africa

Although a number of Africa's most protracted wars have recently been resolved, conflicts still affect the lives of many people around the continent. In 1995, 26 countries in the world were affected by complex emergencies; twelve were in Africa.

6.2 Economic ramifications of conflict

In Africa, as in other parts of the world, conflicts thwart development by destroying existing infrastructure and by consuming resources that might otherwise be invested in social and economic programs.

6.3 Industrialized nations must share blame

Industrialized nations share much of the blame for Africa's strife-torn history. Colonial conquest and Cold War era intrigues have shaped the political and economic terrain on which these battles have unfolded.

6.4 Arms export policies fuel conflict

6.5 Landmines pose a unique threat

Landmines have had a particularly devastating effect on African economies. According to the US State Department's 1993 study, Africa is the most mined region in the world, with 18 million to 30 million mines laid in 18 countries. Of the 17 countries around the world most severely affected by landmines, seven are in Africa.

6.7 RECOMMENDATIONS

6.7.1 Appropriate additional funds for conflict resolution

Congress should immediately restore funding for conflict resolution programs for Africa to 1995 levels (approximately $30 million) and should allocate increased resources in subsequent years. Funding for under Agencies responsible for the allocation of these funds should give priority to programs designed to support the efforts of the Organization of African Unity (OAU) and African non-governmental organizations to improve their conflict resolution capacities.

6.7.3 Actively support a global ban on landmines

The Clinton administration should participate in the campaign to secure a multilateral ban on landmines in Ottawa in December 1997. In parallel with this accelerated strategy, the United States should continue to play an active role in the United Nations Conference on Disarmament and to negotiate with Russia, China, and other countries that remain unwilling to halt landmine production and use.

6.7.4 Endorse code of conduct for arms sales

Congress should support Code of Conduct legislation that would prohibit arms sales and transfers to governments that: systematically violate human rights, are engaged in armed aggression internally or externally, have not registered with UN Registry of Conventional Weapons, or do not enjoy a democratic mandate.

Chairman CRANE. We thank you all for your testimony and we thank you for your patience. And unless we have any questions, since there is a vote in progress——

Mr. RANGEL. I just want to tell Mr. Gabremariam that George Falley has shared with us the fine work you are doing.

Mr. GABREMARIAM. Thank you.

Chairman CRANE. And we appreciate you for being here on this important day, and we look forward to more discussions with all of you who have appeared as witnesses and with the administration to get this legislation passed. Thank you all.

[The prepared statements and attachments of Kase Lawal and the American Textile Manufacturers Institute follow:]

STATEMENT OF MR. KASE LAWAL, CHAIRMAN AND CEO OF CAMAC HOLDINGS, INC., HEARING ON EXPANDING US TRADE WITH SUB-SAHARAN AFRICA, COMMITTEE OF WAYS AND MEANS, SUB-COMMITTEE ON TRADE, TUESDAY , APRIL 29, 1997

Thank you giving me this opportunity. My name is Kase Lawal. I am the CEO and Chairman of Camac Holdings, Inc. I am also a member of the U.S. South Africa Business Council.

CAMAC began as an export trading company ten years ago. Thankfully, with the assistance of Eximbank we were able to do at least $15 milliion of US exports to Africa. Since then, however, we were forced to concentrate on other than trading operatiions for reasons which I will state below.

Sub-Saharan Africa has been a growing market for US exports. US export sales in 1996 totaled $6.139 billion, which was a 13.5 percent increase from 1995. It will be a market of over 2 billion consumers by the year 2020. Thirty-three African countries are already members of the World Trade Organization. Thirty-one African countries have economic reform programs in effect through the World Bank. These indicators demonstrate the opportunities that exist for US businesses in Africa. But financing is the name of the game. Business persons and bankers, however, are reluctant to assume the credit and country risks inherent in selling to the developing countries. Hence the importance of Eximbank.

Importance of Export-Import Bank of the United States

Eximbank has a program to facilitate financing for whatever the method of financing. Eximbank's charter requires it to find "reasonable assurance of repayment" for each of its transactions. For private-sector buyers Eximbank must appraise the commercial viability but also the country risks. Eximbank's methodology for assessing country risk merits special attention as it serves to explain why Eximbank has limited exposure in many of the African countries.

Eximbank authorized only 4 medium or long term commitments totaling about $325.9 million plus approximately $10 million for short-term shipments during its 1996 fiscal year . This one year's activity is the rule and not the exception. A number of factors explain Eximbank's limited role vis-à-vis Africa: Few countries in Sub-Saharan Africa meet Eximbank's standard of "reasonable assurance of repayment" as is described below. The British and French have historical ties with their former colonies and continue to dominate markets in Africa. Their business persons can travel to Africa in 6 hours or so versus a 20-24 hour one way trip for the Americans. The export credit agencies of European, Japanese and Canadian governments are not constrained by a statutory standard of "reasonable assurance of repayment". For many years and administrations, Eximbank has not focused its attention on Sub-Saharan Africa either at the Board or staff level.

In the former French colonies the French government has technical advisors in the Ministry of Finance. Also, the local currency, the CFA, is pegged to the French franc. Thus, there is no currency exchange risk when the borrowing is in French francs.

The enactment of the Federal Credit Reform Act in 1990 resulted in a need to have uniform standards for country risk assessment for all US government agencies providing overseas loans, guarantees or insurance. The Interagency Country Risk Assessment System (ICRAS) was created to carry-out this function and the Eximbank serves as Secretary of the review committee. The working group of ICRAS is chaired by the Office of Management and Budget and has representation from Eximbank, OPIC, the Commodity Credit Corporation, Agency for International Development and others including Treasury, State and Commerce Departments. The ICRAS process establishes two risk ratings for each country, one for sovereign risks and the other for private. The ratings are used to calculate the risk subsidies charged to each agency's budget and most of the agencies have based their ratings policies on the ICRAS process and findings.

The ICRAS sovereign risk categories range from: "Payment problems are unlikely" (the least risky markets) to "Eventual forgiveness or effective repudiation of most debts appears inevitable. Severe losses on most debts appear inevitable" (the most risky markets). The first category is considered an "A" market; the last category is an F double minus market. There are nine categories or gradations in between.
Generally, Eximbank's Board views transactions with a risk rating of F, F minus or F double minus as not providing a "reasonable assurance of repayment." The ICRAS process, while creating uniformity, tends to preclude any ability on the part of the business community or effected foreign countries from challenging or providing data and analyses which might affect the judgments made under the System.

Since there is little or no transparency in the ICRAS process, we are put in a position of having to accept those ratings and to live with them as best we can. Under the System, country reviews generally take place twice a year. The listing of countries shown in the Appendix , which are eligible for Eximbank financing, will give an indication of the effect of the ICRAS System.

It is not for me to criticize the attempt to make US Government country risk evaluation uniform within the government, but to note that significantly expanded trade and investment financing for most Sub-Saharan countries will not occur under ICRAS. Some sort of legislative mandate or major change in administration policy is necessary for that to occur.

LEGISLATIVE PROSPECTS FOR EXIMBANK

This will be a difficult legislative year for Eximbank; its charter expires September 30, 1997. If the mounting efforts to terminate Eximbank succeeds, Sub-Saharan Africa's already minimal access to US Government financial support will virtually fall to zero. The arguments offered in support of Eximbank's demise or sharply reduced level of appropriations are as follows: private capital, allegedly, is available in sufficient sums to finance the exports that need financing, and the US Government's subsidizing of exports is nothing more than "corporate welfare." This is a grossly misleading slogan which appeals to many legislators today in view of the recent welfare reform legislation. After all, they argue, companies like Boeing and G.E. do not need US Government help to sell their products abroad since they are corporate giants with well established financial resources.

There are, of course, contra arguments to the above and they must be made in the most persuasive form possible to convince Congress these agencies are critical to American workers, exporters and investors. They provide essential support only when private capital is neither available in sufficient amounts nor available on competitive terms to meet foreign officially supported transactions. Foreign governments, unfortunately, continue to provide substantial amounts of subsidies to assist their national corporations win export orders and investment opportunities. The risks involved and repayment terms required for many overseas sales and investments are simply too great for private capital to provide all of the financing needed for many transactions. Moreover, there are thousands of medium and small size exporters which do not have access to adequate private financing to meet financing offers of foreign competitors. It also must be emphasized that Eximbank's assistance benefits not only the single American seller who wins a contract, but also hundreds and thousands of smaller sub-suppliers. One small business exporter with 250 employees which has benefited from Eximbank's programs, MWI Corporation, has determined that its Eximbank-supported export sales enables it to place orders for components with 750 small business sub-suppliers. In the case of Boeing or G.E., there can be more than 25,000 such sub-suppliers for major contracts. This translates into many hundreds of thousands of jobs for American workers.

It should also be noted that a number of foreign countries do not prohibit their exporters from paying bribes to secure contracts and some actually allow such costs to be deducted as expenses for tax purposes. American companies do not favor bribery and do not seek the right to do so; but it is important that Congress and others recognize the nature of the competition these American exporters face. There are, unfortunately, many Congressmen and Senators who are not familiar with the details of Eximbank, or the extent of foreign competition that exists; and therefore are easily persuaded by the "corporate welfare" charge.

Let us now consider the problem of why there has been so little financing for Sub-Saharan Africa -- particularly from Eximbank. The reason rests simply with Eximbank's statutory mandate that the Board of Directors must find a "reasonable assurance of repayment" for its loans, guarantees, and insurance. As noted earlier, this is a long standing requirement for the Board; and although this standard is subject to a wide range of interpretations, it has consistently been the basis for Eximbank's small amount of financing in Sub-Saharan Africa.

See the Appendix for the list of Sub-Saharan countries which shows where Eximbank is open or closed for business and it reveals how few countries have passed Eximbank's statutory test. The methodology and practice of rating all the countries in which Eximbank is legally empowered to operate has been discussed earlier in this paper.

It is clear from Eximbank's history and practices that trade finance will not thrive between the United States and Sub-Saharan Africa unless the "reasonable assurance of repayment" mandate is modified to permit more risk taking in those markets.

Interestingly, since 1968 there has been a provision in Eximbank's Charter which establishes a lower standard of credit for a certain class of business. The provision states in part:

> "It is the policy of the Congress that the Export-Import Bank of the United States should facilitate through loans, guarantees, and insurance (including coinsurance and reinsurance) those export transactions which, in the judgment of the Board of Directors of the Bank, offer sufficient likelihood of repayment to justify the Bank's support in order to actively foster the foreign trade and long-term commercial interest of the United States."

This provision, known as the Export Expansion Facility (EEF), was enacted to enable the Bank to assume more risks than normal in historically weak markets. From FY 1969 through FY 1984, Eximbank authorized a total of about $1.5 billion for all countries world-wide but nothing has been approved since that time. In the past the Bank's view has been that the provision is too vague to be useful and given Eximbank's general reluctance to finance any transaction which does not provide a "reasonable assurance of repayment", as a matter of policy, Eximbank has refrained from utilizing this authority since FY 198

It, therefore, seems clear that any increase in Eximbank financing for most countries in Sub-Saharan Africa will require Congressional action in the form of new legislation or an understanding between the Bank and Congress which permits the Bank to utilize the EEF authority. If Eximbank is liquidated or emasculated, American exports to Africa will suffer dramatically. Thank you.

MAURITIUS	OPEN ALL PROGRAMS	OPEN ALL PROGRAMS
MOZAMBIQUE	NO COVER	NO COVER
NAMIBIA	OPEN ALL PROGRAMS	OPEN ALL PROGRAMS
NIGER	NO COVER	NO COVER
NIGERIA*	NO COVER	NO COVER
RWANDA	NO COVER	NO COVER
SAO TOME & PRINCIPE	NO COVER	NO COVER
SENEGAL	NO COVER	NO COVER
SEYCHELLES	OPEN ALL PROGRAMS	OPEN ALL PROGRAMS
SIERRE LEONE	NO COVER	NO COVER
SOMALIA	NO COVER	NO COVER
SOUTH AFRICA	OPEN ALL PROGRAMS	OPEN ALL PROGRAMS
SUDAN*	NO COVER	NO COVER
SWAZILAND	OPEN ALL PROGRAMS	OPEN ALL PROGRAMS
TANZANIA	NO COVER	NO COVER
TOGO	NO COVER	NO COVER
UGANDA	OPEN SHORT AND MEDIUM TERM	OPEN SHORT AND MEDIUM TERM
ZAIRE	NO COVER	NO COVER
ZAMBIA	NO COVER	NO COVER
ZIMBABWE	OPEN ALL PROGRAMS	OPEN ALL PROGRAMS

*SUPPORT LEGALLY PROHIBITED

APPENDIX

EXIMBANK COUNTRY LIMITATION SCHEDULE
SUB-SAHARAN AFRICAN COUNTRIES
EFFECTIVE FEBRUARY 1, 1997

COUNTRY	PUBLIC SECTOR	PRIVATE SECTOR
ANGOLA	NO COVER	NO COVER
BENIN	OPEN SHORT AND MEDIUM TERM	OPEN SHORT AND MEDIUM TERM
BOTSWANA	OPEN ALL PROGRAMS	OPEN ALL PROGRAMS
BURKINA FASO	NO COVER	NO COVER
BURUNDI	NO COVER	NO COVER
CAMEROON	NO COVER	NO COVER
CAPE VERDE ISLAND	NO COVER	NO COVER
CENTRAL AFRICAN REPUBLIC	NO COVER	NO COVER
CHAD	NO COVER	NO COVER
COMOROS	NO COVER	NO COVER
CONGO	NO COVER	NO COVER
COTE D'IVOIRE	NO COVER	OPEN SHORT AND MEDIUM TERM
DJIBOUTI	NO COVER	NO COVER
EQUATORIAL GUINEA	NO COVER	NO COVER
ERITREA	NO COVER	NO COVER
ETHIOPIA	NO COVER	NO COVER
GABON	NO COVER	OPEN ALL PROGRAMS
GAMBIA	NO COVER	NO COVER
GHANA	OPEN ALL PROGRAMS	OPEN ALL PROGRAMS
GUINEA	NO COVER	NO COVER
GUINEA-BISSAU	NO COVER	NO COVER
KENYA	OPEN SHORT AND MEDIUM TERM	OPEN SHORT AND MEDIUM TERM
LESOTHO	OPEN ALL PROGRAMS	OPEN ALL PROGRAMS
LIBERIA	NO COVER	NO COVER
MADAGASCAR	NO COVER	NO COVER
MALAWI	NO COVER	NO COVER
MALI	NO COVER	NO COVER
MAURITANIA	NO COVER	NO COVER

Statement of American Textile Manufacturers Institute

This statement is submitted by the American Textile Manufacturers Institute (ATMI), the national association of the textile mill products industry. ATMI members make and distribute every kind of textile product and collectively account for eighty percent of the textile fibers processed in the United States.

The subject of the Subcommittee's inquiry -- expanded trade with Sub-Saharan Africa -- is one worthy of thoughtful consideration. There can be no question that Sub-Saharan Africa is, collectively, the poorest, least-developed region in the world with many, far too many, of its inhabitants mired in poverty and sickness.

The subcommittee's focus on this region has the laudable objective of trying to address these problems through expanded trade. However, it is by no means certain that such an effort will produce meaningful results. For example, the European Union (EU) has for many years had a program, known as the Lomé convention, which provided preferential access for most of the countries of the Sub-Sahara. The gains to the Sub-Sahara have been minimal under the Lomé Convention and there is no assurance that expanding the preferences already granted to the region by the U.S.'s GSP Program will produce major gains.

For one thing, extending duty free treatment to the region's textile and apparel exports, while it may be a laudable humanitarian gesture, is poor trade policy. Nearly every (proposed) beneficiary country maintains insurmountable barriers to exports of American textiles and apparel into their markets. Trade implies a two-way street. This is a one-way street, a hand-out, a giveaway.

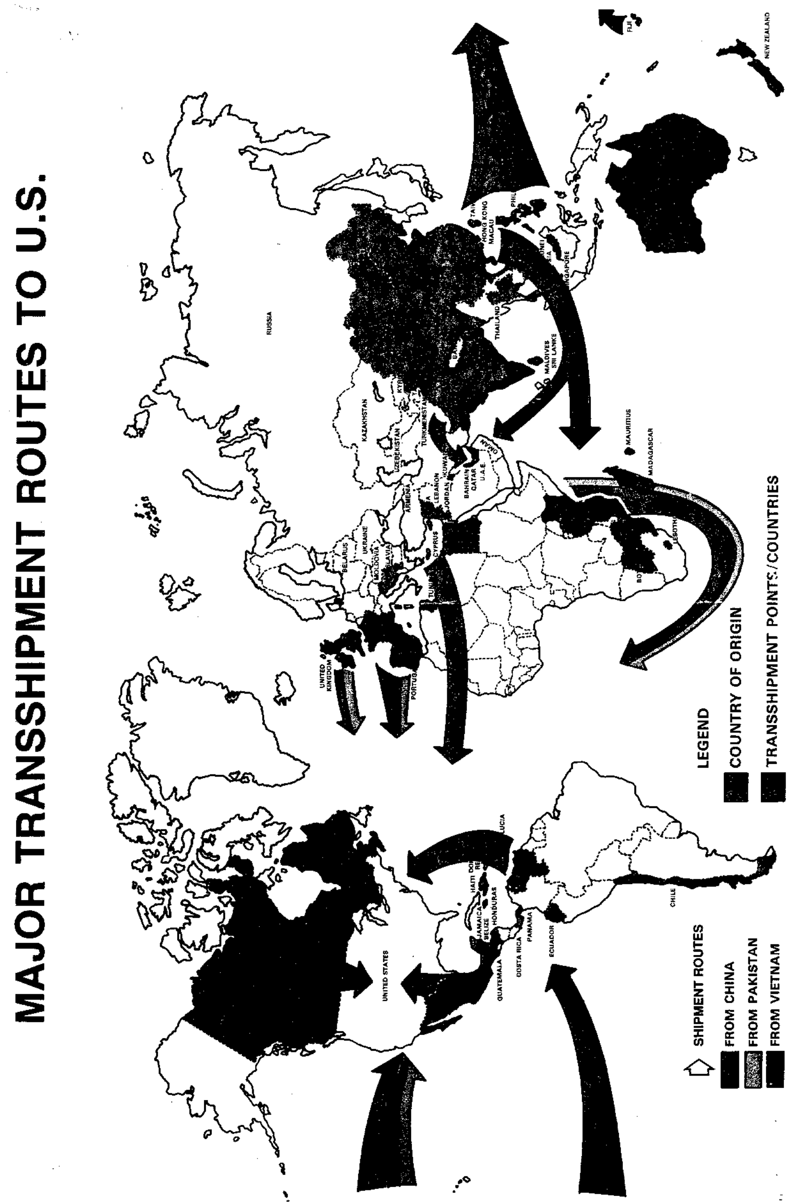
Secondly, and perhaps most importantly, providing 48 nations duty-free and quota-free access to the U.S. market is an open invitation to customs fraud and circumvention on a scale never before seen. The economic incentive to skirt all the rules governing textile and apparel imports is simply too great to be resisted and it won't be. The U.S. Customs Service has already identified eight Sub-Saharan countries as transshipment routes for goods produced elsewhere in order to avoid quotas (see attached Exhibit A, prepared by the Service). This illegal trade developed with duties still being imposed by the United States on such imports. How much greater incentive for cheating would there be if duties, not just quotas, could be avoided? Paramount among these countries using the Sub-Sahara in this way is China, which has a long, well-documented, and sorry history of transshipping. China is known by the U.S. Customs Service to have transshipped through forty countries. Obviously the United States would not want to give China an open invitation to transship through forty new ones -- especially with the accompanying loss of significant tariff revenues to the U.S. Treasury.

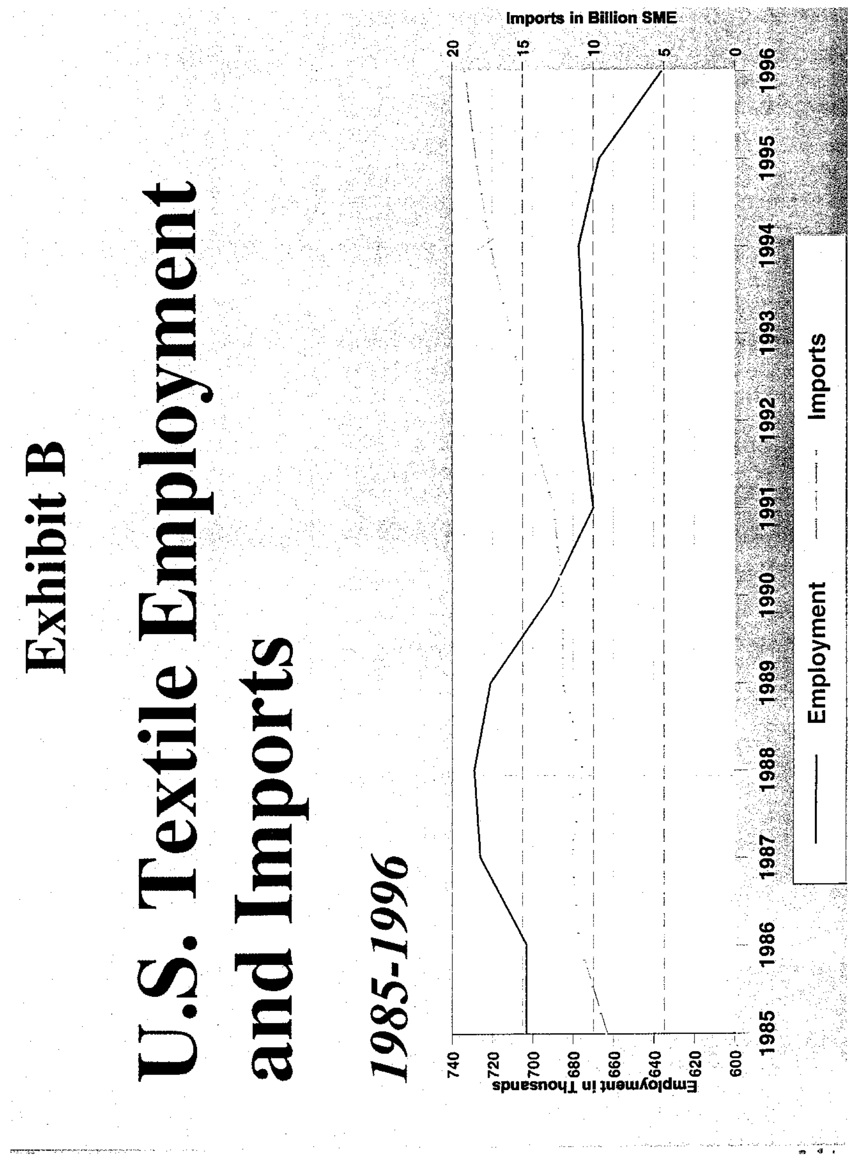
Another disturbing feature of the proposal set forth in H.R. 1432, which was recently introduced, is that while the designated beneficiary countries may be expected to export some finished apparel to the United States which is actually made in the region, thus providing employment for some of their citizens and earning additional foreign exchange, there would be another set of beneficiaries, wholly undeserving: textile mills in India and other Asian countries or Europe. Since Sub-Saharan Africa does not have a textile industry of any significance (the sole exception being South Africa, which has an important textile industry serving the local market operating behind high import barriers), nearly all of the yarns, fabrics and thread needed to produce apparel will have to be sourced elsewhere. This fact, in conjunction with the one-way pattern of trade, certainty of transshipment and other customs fraud, cause grave concern for ATMI and its members and is more than sufficient grounds to oppose any such initiative.

The fundamental question is "Can a program for the Sub-Sahara be designed in a way that would benefit, rather than damage, the U.S. textile industry and its workers?" This should be the focus of further study and consideration by the Subcommittee. Clearly, any approach that threatens the textile industry and its workers will cause ATMI to oppose it. As the accompanying Exhibit B shows, the American textile industry has lost 78,000 jobs since 1985 while imports of textiles and clothing rose more than ten billion square meters or 110%. This astonishing increase and resulting job loss occurred while the allegedly "protectionist," Multifiber Arrangement was in place and supposed to control damaging import surges through the administration of quotas. One can only imagine what the rise in imports and consequent job loss would be under a regime which imposed no quotas or tariffs.

Needless to say, this is of great concern to the U.S. textile industry's 625,000 workers located in almost every state, many of whom are minorities. It makes no sense to support initiatives which would hand these workers' jobs over to Indian and Asian textile mills when alternatives might be available which would preserve these workers' jobs. ATMI earnestly requests the Subcommittee on Trade to seek and consider such alternatives.

EXHIBIT A





Chairman CRANE. This concludes our hearing, and the record will be open until May 13. The Subcommittee stands adjourned.

[Whereupon, at 5:05 p.m., the hearing was adjourned.]

[Submissions for the record follow:]

97-05-02 A08:31 IN

OVERSEAS PRIVATE INVESTMENT CORPORATION
WASHINGTON, D.C. 20527-0001, U.S.A.

OFFICE OF THE
PRESIDENT

April 29, 1997

The Honorable Philip M. Crane
House of Representatives
233 Cannon House Office Building
Washington, DC 20515

Dear Congressman Crane:

On behalf of the Overseas Private Investment Corporation (OPIC), I want to thank you and commend you for your initiative designed to expand American investment and economic growth in Africa. We are especially interested in provisions of H.R. 1432 calling for establishment of new OPIC-backed equity funds.

We are delighted that so many Members of Congress from both parties and the Administration are united in support of expanding OPIC's role in mobilizing American private sector resources in Africa. These new funds can play a critical role in helping U.S. businesses compete in one of the world's fastest growing and most important markets of the future -- and they will contribute significantly to improving economic conditions on the African continent."

OPIC has played an important role in Africa for many years. Last year alone, OPIC supported more than $625 million of U.S. private sector investments in Africa through the sale of political risk insurance and project financing. Several of these investments involved the construction or privatization of infrastructure projects, an area of particular emphasis for OPIC. Infrastructure development is very important to improving the daily lives of the citizens of sub-Saharan African countries. These projects purchase a very substantial level of U.S. goods and services, which means more jobs for American workers and greater opportunities for U.S. exporters.

One major significance of the proposed expansion of OPIC's involvement in Africa is that it will have a major positive impact on the U.S. economy, on U.S. foreign policy throughout the continent and on host country development -- all without costing taxpayers a nickel. In an era when U.S. foreign assistance spending is under tight constraints, OPIC's role in mobilizing private sector resources is needed now more than ever. We are pleased that so many Members of Congress support the role OPIC will play in this important bipartisan initiative in the future.

Enclosed is further information about OPIC programs, including a statement for the record for today's hearing and recent testimony submitted by the Corporation in support of reauthorization of our finance and insurance programs. OPIC's current reauthorization expires September 30, 1997, and the Administration has submitted a legislative proposal to extend OPIC for three years. That proposal is pending before the House Committee on International Relations.

Again, thank you for your interest in promoting economic growth and opportunity in Africa. If you would like further information on OPIC or its role in Africa, please feel free to call me at (202) 336-8450. We look forward to working with you.

Sincerely,

Mildred O. Callear

Mildred O. Callear
Acting President and
Chief Executive Officer

Enclosures

OPIC Overseas Private Investment Corporation

1100 New York Avenue, N.W.
Washington, D.C. 20527-0001
(202) 336-8400
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STATEMENT FOR THE RECORD
OF

MILDRED O. CALLEAR
ACTING PRESIDENT AND CEO
OVERSEAS PRIVATE INVESTMENT CORPORATION

BEFORE THE SUBCOMMITTEE ON TRADE
HOUSE COMMITTEE ON WAYS AND MEANS
APRIL 29, 1997

Thank you, Mr. Chairman, and Members of the Subcommittee. The Overseas Private Investment Corporation (OPIC) is pleased to submit written testimony today in support of the bipartisan initiatives by the Subcommittee and the Administration to promote greater U.S. investment in Africa.

OPIC's Role

OPIC is a self-sustaining Federal agency that sells political risk insurance and project financing to American companies for financially-sound investments in emerging markets around the world. Companies come to OPIC when private sector financing and political risk insurance are not fully available in these markets -- and when they are competing against foreign industries armed with similar government backing. Thus, OPIC helps U.S. companies win valuable new business in markets that are crucial to future economic success. This creates U.S. jobs and exports, while also fulfilling an important goal of U.S. foreign policy by promoting greater growth and stability in underdeveloped nations and other sensitive areas.

Since OPIC was established as an independent government agency in 1971, it has mobilized a total of $107.8 billion worth of private sector investments, creating more than $52 billion in U.S. exports and 225,000 American jobs.

However, OPIC is not a grant program and does not provide financing, insurance or anything else for free. OPIC is run like a business and charges market-based fees, interest rates and insurance premiums for all of its products and services. These revenues from users have enabled the agency to earn a profit for taxpayers for 25 straight years -- and to operate at no net cost to American taxpayers.

OPIC's History In Africa

OPIC has played an important role in Africa for many years. Last year alone, OPIC committed more than $625 million in political risk insurance and financing to support projects in Sub-Saharan countries.

For example, OPIC also is making investment capital available through the New Africa Opportunity Fund. This is a $120 million investment fund capitalized with private equity and OPIC-guaranteed debt. The protocol for the fund was signed during the July 26, 1996 U.S.-South Africa Binational Commission meeting, and it will focus on investments that will be owned or managed by the region's majority population. The fund is managed by North Carolina-based Sloan Financial Group, the largest African-American owned investment firm in the United States.

OPIC's Future in Africa

While Africa may still be a challenging place to do business, the continent clearly has become one of the best growth opportunities for American business in the world today. Total U.S. trade with Sub-Saharan Africa grew 18.2% in 1996, and for the second consecutive year growth in U.S. trade with Sub-Saharan Africa outpaced America's overall growth in world trade. American companies, no doubt attracted by high rates of return in Africa (28% vs. 8.5% worldwide), are investing in Africa in increasing numbers. And what's good for these smart companies is also good for America: $684 million of U.S. merchandise was exported to U.S. partners in Africa in 1994.

Consistent with the goals of OPIC, this Subcommittee and the Administration, OPIC supports the development of a new $150 million private equity fund to invest in commercial, industrial and natural resource projects in Sub-Saharan nations. We also are working to create one or more additional investment funds with a total capitalization of up to $500 million that would focus on infrastructure projects in the telecommunications, power, transportation and financial services sectors. These new funds are subject to identification and selection of qualified fund managers who can raise the necessary capital, as well as approval by OPIC's Board of Directors.

We are very pleased that both the Subcommittee through H.R. 1432 (the "African Growth and Opportunity Act") and the Administration are supporting these funds. It is OPIC's view that these funds will play a critical role in helping America compete in one of the world's fastest growing and most important markets of the future. The funds also will do much to improve the lives of African citizens.

The significance of the proposed expansion of OPIC's involvement in Africa is that it will have a major positive impact on the U.S. economy, on U.S. foreign policy throughout the continent and on host country development -- all without costing taxpayers a nickel. In an era when U.S. foreign assistance spending is under tight constraints, OPIC's role in mobilizing private sector resources is needed now more than ever. And we are pleased that so many Members of Congress support the role OPIC will play in this important bipartisan initiative in the future.

OPIC In Africa: Three Case Studies

1. Uganda: With the assurance provided by $1.8 million of OPIC political risk insurance, Agro Management of California is working with Ugandan farmers to grow African Chrysanthemums in order to extract oil that is used as a natural, nontoxic insecticide. The flowers are grown by a network of independent Ugandan farmers, many of whom are women. As part of the effort to ensure supply, Agro Management provides free seedlings to farmers and has established buying stations close to the local farms. And Agro Management is not the only one whose business is blossoming. MGK, a pesticide manufacturer in Minnesota, has signed a five-year purchase agreement with Agro Management to buy the flower extract. Tapping into the growing organic farming industry, Agro Management's Africa project is creating important opportunities for Americans and Ugandans.

2. Tanzania: African Communications Group (ACG), a small telecommunications company based in Massachusetts, is another good example of a small U.S. business that has met with success in Africa with the help of OPIC. In 1994, ACG came to OPIC with a proposal to enter into a joint venture with the Computer Corporation of Tanzania to build and operate the nation's first network of wireless public telephones. OPIC provided more than $11 million of political risk insurance critical to obtaining financing to get the venture going. Other U.S. small businesses are benefiting as well. ACG contracted with Intellicall, Inc., of Texas to manufacture the telephones. NBS Card Services of New Jersey makes the debit cards. ADCO of Missouri makes the phone booths. And DMC of California makes the microwave radio links. And with this successful venture now underway, the company has set its sights on being the first private company to enter the communications sector in Ghana. The bottom line: ACG expects its initial investment in Africa to grow into a $100 million enterprise.

3. Ethiopia: Another such company is F.C. Schaffer & Associates of Baton Rouge, Louisiana. OPIC provided $50 million of political risk insurance to F.C. Schaffer for its investment in a sugar factory and ethanol distillery in Ethiopia. The project will increase Ethiopian sugar production by nearly 40 percent annually and will create a new industry in a remote area of the country. The ethanol, a natural by-product of sugar and molasses production, will be used by Ethiopia for fuel. The project will result in almost $50 million of U.S. exports and more than 200 U.S. jobs.

Conclusion

In sum, OPIC strongly supports the initiatives by this Subcommittee and the Administration to expand America's role in helping U.S. businesses and U.S. workers compete in Africa while, at the same time, helping the nations of Africa improve their economies and living conditions. Thank you for the opportunity to submit this testimony.

WRITTEN SUBMISSION OF
THE APRICOT PRODUCERS OF CALIFORNIA

HOUSE COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON TRADE

Hearing on Expanding U.S. Trade with Sub-Saharan Africa

April 29, 1997

The following comments are submitted by the Apricot Producers of California for inclusion in the record of the House Committee on Ways and Means Subcommittee on Trade's April 29, 1997, hearing on Expanding U.S. Trade With Sub-Saharan Africa. The U.S. apricot industry's request with respect to a trade preference arrangement for African countries -- whether it be a free trade agreement, expanded GSP duty-free benefits to African countries, or other preferential benefits -- is that the arrangement include exemptions from duty-free access for import-sensitive U.S. products like canned apricots (H.S. 2008.50.40) and apricot paste and puree (H.S. 2007.99.65). We also need assurances that for industry products that are already eligible for Generalized System of Preferences (GSP) duty-free treatment, like apricot pulp (or "concentrate," as it is referred to by the industry) (H.S. 2008.50.20), African countries not be exempted from the GSP statute's competitive need limitations, which were put into the law precisely in order to protect import-sensitive U.S. industries like ours from unfair import competition. Of the Sub-Saharan African countries, preferential access for South Africa is of greatest concern, since that country is already a competitive producer and exporter of apricots.

The Apricot Producers of California is a grower-member organization representing over 75% of the apricot canning industry in California. Apricot pulp (or concentrate), paste and puree are by-products of the canning industry and thus impact the profitability of California producers. California is responsible for virtually all commercial production of apricots in the United States.

Because of the extreme fragility of apricots and the price-sensitivity of the apricot market, the California apricot industry is extremely vulnerable to imports. The industry has survived a decade of dislocations from imports, competition from lower-priced substitute fruits, and weather-related problems only because of a reasonably reliable U.S. market in which to sell California canned apricots, pulp, concentrate, and puree by-products. Extending duty-free access to South Africa and other African countries, even if they are not commercial producers of apricots at this time, would put at risk a U.S. industry that is commercially incapable of sustaining additional market loss to foreign apricots. The U.S. industry's import-sensitivity to imports from South Africa in particular was upheld during the 1995 GSP annual review process when the GSP Subcommittee denied a petition filed by South Africa for GSP duty-free treatment on canned apricots.

I. For the Fragile and Import-Sensitive California Apricot Industry, Preservation of U.S. Duties is Fundamental to the Industry's Continued Competitiveness in the U.S. Market.

A. U.S. Apricot Producers Are Struggling in Large Part Due to Imports.

Over the last two decades, the California apricot industry has undergone severe contraction as a consequence of high grower costs, consumer preferences for lower-priced substitute fruit, and competition from a growing base of low-priced apricot products available particularly from foreign sources. During this period, the number of California apricot growers has plummeted by nearly 50 percent. The same is true for planted acreage.

The increasing availability of substitute fruits at significantly lower prices and the availability of lower-priced foreign-sourced apricots have left California growers and processors struggling to find outlets for their fruit, even in relatively normal production years. Although imports of canned apricots and other processed apricot products vary somewhat with the size of the U.S. crop, low-priced imports threaten U.S. sales even in low U.S. crop years. Imports of canned apricots in calendar year 1996 were double 1995 imports and valued at over $1.8 million. For a small U.S. industry this import penetration is significant and directly impacts U.S. industry profits. With plenty of imported product available, U.S. grower returns have been stable at best.

Added to these external pressures is the uncertainty that even with a fairly constant planted acreage, crop size can vary dramatically in any one year because of weather -- a function of the extreme fragility of the fruit. As shown by the figures below, U.S. canned apricot and apricot pulp production combined is generally between 40,000 and 50,000 tons annually. The unusually high yield in 1994/95 and low yield the following year were the result of uncommon weather conditions.

U.S. Production
Canned Apricots and Apricot Pulp
(Tons)

1991-92	38,106
1992-93	54,500
1993-94	46,500
1994-95	71,091
1995-96	27,500
1996-97 (est.)	41,500

Source: Apricot Producers of California

In almost all years, the industry has had problems selling all of its fruit. Even with a fairly average crop this year of 41,500 tons, the industry is faced with unsold fruit as lower-priced imports have displaced U.S. sales, especially in the food service sector. Because it is in the price-sensitive food service sector where the industry believes any real growth potential exists, the level of low-priced imports will be a decisive factor in the U.S. industry's future profitability.

B. Domestic Apricot Producers Rely Almost Exclusively on Sales in the U.S. Market. Elimination of U.S. Duties on Canned Apricots and Other Apricot Products Would Put The U.S. Market and Industry at Extreme Risk.

U.S. apricot producers sell nearly 100% of their apricots to the U.S. fresh market, to canners, or to other processed outlets in the United States. Because the quality of the apricot crop is so unpredictable, apricot growers must depend on all outlets for their apricots -- canned, puree, concentrate, pulp and fresh. In a given year, growers and canners may sell as much as one-third of the total California apricot crop to U.S. pulp or concentrate processors. Reliable access to all domestic outlets thus plays a critical role in the profitability of the U.S. apricot industry.

U.S. sales are being displaced by imports even with the present U.S. tariff rates of 32.4% on canned apricots, 11.3% on pulp and concentrate (duty-free for GSP-eligible countries, except Argentina), and 11.3% on puree. Further erosion of this market, which most certainly would occur if U.S. duties were removed for competitive producers like South Africa, would have devastating consequences for U.S. growers and processors.

II. South Africa is a Competitive Exporter of Canned Apricots to the U.S. Market. Extending Duty-Free Treatment to This Country and to Other African Countries With Similar Potential Would Be at the Sole Expense of the U.S. Industry -- All to Help a Foreign Industry That Has Demonstrated Itself to be Competitive Without Duty-Free Access.

A. South Africa is a Major Producer of High-Quality, Low-Cost Canned Apricots and Other Apricot Products.

South Africa is a leading producer of apricots, particularly canned apricots and apricot pulp. As shown by the figures below, South Africa's combined production of canned apricots and apricot pulp has steadily increased over the past 6 years. Roughly 66% of South Africa's production goes to canned apricots. According to U.S. Department of Agriculture figures, South Africa will be a leading world producer of canned apricots this season, ahead of the United States, Spain, Greece and Australia.

South African Production
Canned Apricots and Apricot Pulp
(Metric Tons)

1991-92	37,714
1992-93	35,374
1993-94	35,572
1994-95	38,513
1995-96	46,737
1996-97 (est.)	48,000

Source: Apricot Producers of California

South African apricots are of excellent quality rivaling U.S. production. With U.S. imports from South Africa of equal or near-equal quality to U.S. product, price becomes the major factor in purchasing decisions. This is especially true in the food service sector, the only real growth market for California apricots.

Even with a fairly substantial U.S. duty of 32.4%, South African canned apricots on the U.S. east coast are priced $2.00 to $3.00 a case below California prices. In addition to enjoying a lower cost of production than the California industry, South African producers benefit from a transportation advantage of $1.50 or more for product shipped to the U.S. east coast. A study done in February 1994 showed South African canned apricots enjoying a $2.65 advantage over California on an east coast delivery basis.

California Price		South African Price	
$22.75	Per Case FOB East Coast	$16.00	Ex-Dock East Coast
1.50	Transportation Difference	5.60	35% U.S. duty
$24.25	Per Case	$21.60	Per Case

Comparative prices are very similar today except that the U.S. duty is only 32.4% and the U.S. FOB selling price today is $23.75 per case.

Although of the Sub-Saharan African countries South Africa poses the most immediate threat to U.S. apricot producers, many of the other Sub-Saharan African countries are competitive producers of stone fruits and have the climate and geography to become commercial producers of apricots. Extending duty-free treatment to these countries on canned apricots and other apricot products will only encourage additional low-cost foreign production to the further detriment of the California industry.

B. South Africa Has Shown Itself to be a Leading Exporter of Canned Apricots to the U.S. Market.

Even with a U.S. duty of 32.4%, South Africa has shown that it is a competitive exporter of canned apricots to the U.S. market. Although U.S. imports from South Africa vary significantly from year to year depending on the U.S. domestic crop, in 1993 and 1994 South Africa was the leading exporter of canned apricots to the U.S. market, accounting for 48% and 65% of total U.S. imports of canned apricots in those years. In 1996, South Africa was the third largest exporting country of canned apricots to the U.S. market behind only Greece and Spain.

U.S. Imports of Canned Apricots
(2½ cases)

	Calendar Year			
	1993	**1994**	**1995**	**1996**
Greece	2,013	0	0	8,909
South Africa	67,159	65,111	179	4,870
Spain	13,942	10,482	675	6,823
Morocco	14,789	12,958	805	826
Israel	30,878	3,266	4,515	0
Total World	141,160	99,497	17,074	34,099

Source: U.S. Department of Agriculture, Foreign Agricultural Service

With total exports from South Africa expected to remain strong and their price advantage to remain constant, these trends are not expected to reverse themselves. The elimination of the U.S. duty will only increase the price advantages now enjoyed by South African producers, ensuring that import penetration occurs at a faster, more destabilizing rate.

III. Conclusion

In sum, U.S. apricot producers sell almost exclusively to the U.S. domestic market. For many reasons -- the fragile nature of apricots, increasing grower costs, and increased competition from low-cost foreign producers -- the U.S. industry has faced hard times over the last decade, with many growers and processors struggling to remain afloat.

South Africa is a competitive producer and exporter of apricots and has already shown that it does not need preferential access to be competitive in the U.S. market. Extending duty-free access to African countries on canned apricots and other apricot products would be at the sole expense of U.S. growers and processors, who are already in a state of economic distress.

For the foregoing reasons, the Apricot Producers of California are requesting that any trade initiative pursued with African countries, including expanded GSP benefits or a free trade agreement, ***include exemptions for import-sensitive U.S. apricot products.*** We also urge that for apricot pulp, which is already GSP-eligible, African countries continue to be subject to competitive need limitations to protect our industry from additional increases in duty-free imports.

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WRITTEN SUBMISSION OF
CALIFORNIA CLING PEACH GROWERS ADVISORY BOARD

HOUSE COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON TRADE

Hearing on Expanding U.S. Trade with Sub-Saharan Africa

April 29, 1997

The following comments are submitted by the California Cling Peach Growers Advisory Board (the "Board") for inclusion in the record of the House Committee on Ways and Means Subcommittee on Trade's April 29, 1997, hearing on Expanding U.S. Trade with Sub-Saharan Africa. Of special concern to the California cling peach industry with regard to the purpose of a preferential trade initiative for African countries is the preservation of current U.S. duties on canned peaches, canned fruit mixtures, and other cling peach products. If Congress and the Administration determine to expand Generalized System of Preferences (GSP) benefits to African countries or to enter into free trade agreements with individual African countries or regional groupings, we urge that exceptions from duty-free treatment be given for import-sensitive products like canned peaches (H.S. 2008.70.00); canned fruit mixtures (H.S. 2008.92.90); and peach pulp (H.S. 2008.70.00), puree (H.S. 2007.99.65) and concentrate (H.S. 2008.70.00). Exceptions will be necessary because countries within that region, South Africa in particular, are competitive low-cost producers and exporters of cling peach products.

The Board represents nearly all California growers and processors of cling peaches. California accounts for virtually all U.S. production of cling peaches. The California industry has been adversely impacted by well-known illegal European Union (EU) subsidies since the early 1980's, which subsidies have resulted in a glutted world market for canned fruit, depressed world prices, and displacement of high-quality, higher-priced California canned peaches and fruit mixtures in all world markets. This has left the U.S. industry highly vulnerable to imports in its most important market, the U.S. domestic market.

The California industry's import-sensitivity repeatedly has been upheld by the U.S. government in GSP and other trade preference reviews over the past decade. Most recently, during the 1995 GSP annual review process, the GSP Subcommittee denied petitions filed by South Africa for GSP duty-free treatment on canned peaches and canned fruit mixtures in recognition of the U.S. industry's unique import-sensitivity and the competitiveness of South Africa in canned fruit production.

I. For the Import-Sensitive U.S. Cling Peach Industry, Protection of U.S. Duties on Canned Peaches, Canned Fruit Mixtures and Other Cling Peach Products is Essential.

A. The Industry's Import-Sensitivity is Principally Attributable to Unfair Global Trade Practices.

Since the 1970's, global competition in the canned peach sector has been heavily distorted by subsidized overproduction in Greece, Chile, South Africa and elsewhere. Greece has been the worse of these offenders. Under a protected EU regime that has rewarded over-production and encouraged subsidies to both growers and processors, Greek canned peach production and exports have soared, disrupting U.S. canned peach sales in every global market. A series of USDA-developed charts depicting this wide-spread distortion is attached and should be included in the hearing record.

The U.S. industry and U.S. government have expended significant resources spanning almost two decades to challenge the EU's canned fruit regime both in the GATT and bilaterally. Despite a favorable GATT ruling and a bilateral agreement intended to limit EU subsidies to that sector, Greek and other EU canned fruit producers receive more aid today than they did before the bilateral agreement was reached. In recent months, the U.S. government has stepped up efforts to secure meaningful relief for the U.S. industry, including joining forces with other global canned peach producing countries in a multi-country effort to eliminate distortive subsidies and restore market competitiveness to the global canned peach industry.

The destructive effect of unfair foreign competition on the California industry has been demonstrable and continues. In the export market, subsidized foreign producers have increased their exports by as much as ten-fold since 1970, while U.S. exports have fallen by nearly 70%. During this same period, the U.S. industry not only lost its lead export outlet, Europe, but also faced severe dislocation in its domestic market from foreign competition. Despite relatively good U.S. tariff protection of 18.5% on canned peaches (20% before Uruguay Round reductions) and 16.2% on fruit mixtures (17.5% before Uruguay Round reductions), U.S. imports of canned peaches have increased significantly, from 23,000 cases in the early 1970's to over a million cases in the early 1990's. Last year (1996), U.S. canned peach imports reached over 970,000 cases, close to the record-high levels set in 1990 and 1992. Because of these trends, the U.S. industry has gone from being a net exporter to being a net importer.

As a further consequence of import increases and export decreases, U.S. canned peach production has fallen by 30% since the 1970's. In contrast, production in Greece has risen by 425% and in Chile by 220%. Production in South Africa also has been increasing. During this same 20-year period, U.S. cling peach acreage declined from 52,000 to 30,000 acres. The number of U.S. processors also fell from 17 to 5. Because of increased U.S. imports this past year, the California industry is considering another tree-pull program to reduce planted acreage, this being the only way to prevent unsold stock.

The trends of excessive global production, fairly constant world consumption, and increased global exports are not expected to reverse themselves anytime soon. The forecast from the U.S. Department of Agriculture for this year is no different. U.S. consumption trends at best are expected to remain constant. Likewise, imports from low-priced competitive sources are expected to remain at record high levels, and U.S. exports of canned peaches are forecasted to be about the same as last year.

In considering ways to extend trade preference benefits to African countries, Congress must take all necessary precautions to avoid placing additional pressure on import-sensitive industries like ours, which are already in a state of full retreat due to foreign trade practices beyond their control.

B. The U.S. Cling Peach Sector Depends on the U.S. Market for Over 90% of Its Total Sales. Duty-Free Treatment on These Items Thus Essentially Threatens Everything.

Some ninety percent of the U.S. cling peach crop is marketed in the form of canned peaches and fruit mixtures in the U.S. domestic market. The U.S. market is a mature one in which U.S. consumption has peaked. Moreover, despite self-help measures -- like the U.S. industry's tree pull program and significant U.S. government school lunch and other federal purchases of over 1 million cases in some years -- the U.S. industry continues to feel pressure in the U.S. domestic market from oversupply. As numerous, nationally known economists have pointed out, these collective circumstances mean that any increase in imports of low-priced peaches or substitute products over current import levels will directly displace U.S. sales.

Displacement from imports is being felt even with the present U.S. tariff rates of 18.5% on canned peaches, peach pulp and concentrate; 16.2% on canned fruit mixtures; and

11.3% on peach paste and puree. U.S. imports of canned peaches increased to record levels of over 1 million cases in 1990 and 1992. U.S. imports last year (1996) reached nearly one million cases, with imports from Greece, Spain, and South Africa increasing. U.S. imports of canned fruit mixtures have also experienced a significant upturn, with U.S. imports nearly doubling in the last few years. South Africa in particular has increased its exports of canned fruit mixtures to the U.S. market.

With South Africa a leading exporter of canned fruit to the U.S. market, duty free status for this country has been a constant concern for the U.S. industry. Extending GSP treatment or other tariff preferences to any African country -- even those that may not be commercial producers of canned fruit at this time, but have the capability to be tree-fruit producers -- adds pressure to the over-produced global market in ways that will work to our additional detriment.

II. Extending Duty Free Treatment on Canned Fruit and other Peach Products to South Africa's Competitive Canned Fruit Industry and to Other African Countries Would be at the Expense of the U.S. Industry.

A. South Africa is a Competitive Producer of Canned Fruit.

South Africa has long been a competitive producer of canned peaches and canned fruit mixtures for the export market. It is the dominant producer of canned peaches and canned fruit mixtures in the Southern Hemisphere, with almost all of its canned fruit production (i.e., over 90%) targeted to the export market. It is a supplier of predominantly choice quality canned fruit and is, thus, directly competitive with U.S. production. A March 1995 U.S. embassy post report on canned fruit observed that South Africa's "industry has increased efficiency and is producing an even better product."

Although South Africa by far poses the most immediate threat of the African countries to the U.S. canned peach industry, many of the other Sub-Saharan African countries are fruit producing countries with climates and other conditions conducive to commercial peach production. It is probable that some of these countries, especially those with geographic ties to South Africa, could expand their current production or convert other fruit crops to peaches and become commercial producers. Extending duty free treatment to these countries would only encourage this result.

B. Since the U.S. Ban on South African Imports was Lifted in 1991, South African Canned Fruit Has Made Significant Inroads Into the U.S. Market Even With U.S. Tariffs.

South Africa has shown itself to be a competitive exporter of canned peaches and canned fruit mixtures to the U.S. market even with current U.S. tariffs of 18.5% and 16.2%. Since July 1991 when the U.S. import ban on South Africa was lifted, South Africa's canned fruit industry has made substantial inroads into the U.S. canned fruit market. South African exports now account for over 40% of total U.S. imports of fruit mixtures and 10% of canned peach imports. This makes South Africa the leading exporter of fruit mixtures to the United States and the third largest exporting country of canned peaches to the U.S. market. South Africa's industry is predicting that its canned peach exports to the United States will reach the record high levels set prior to the 1986 U.S. import ban. In short, with South African production expected to increase, and with its product quality and production efficiency already on the rise, that country poses a serious threat to California producers even under present market access conditions. Duty free access will not only ensure that this import penetration occurs, it will encourage it at an even faster and greater rate.

III. <u>Conclusion.</u>

In conclusion, the U.S. cling peach industry is an industry that has been victimized by unfair trade practices that are beyond its control. The U.S. government has recognized the unfairness of these practices and has sought to correct the unfairness through GATT dispute settlement, a bilateral agreement, numerous consultations, and most recently multi-country pressure, which may lead to a WTO action against Europe. A trade preference initiative for African countries should not be extended if to do so would make U.S. industries that are already in a state of economic distress even more vulnerable to imports.

For these reasons, the California industry needs assurances that any trade initiative for African countries -- whether it be expanded GSP benefits or a free trade agreement -- ***include exemptions from duty free access for import-sensitive U.S. products like canned peaches; fruit mixtures; and peach pulp, puree, and concentrate.***

* * * * *

If the Committee members should have any questions or desire additional information, please contact our Washington Counsel Carolyn B. Gleason ((202) 778-8215) or Pamela D. Walther ((202) 778-8220), McDermott, Will & Emery.

Attachments

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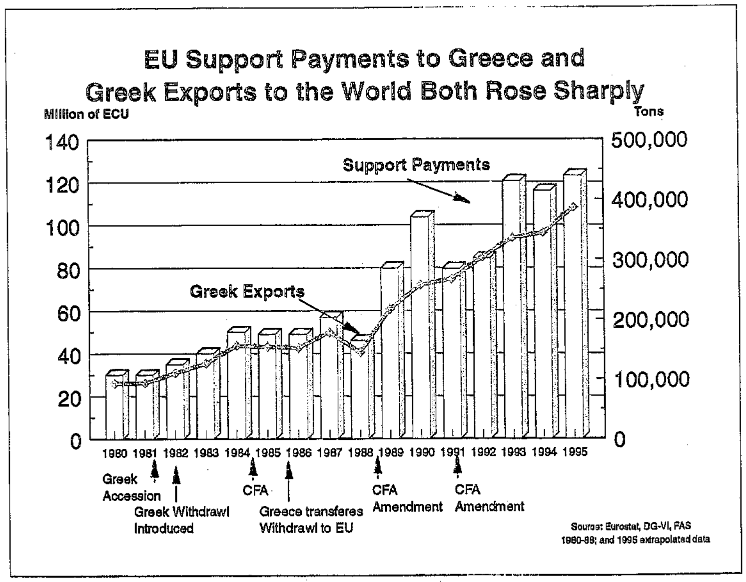
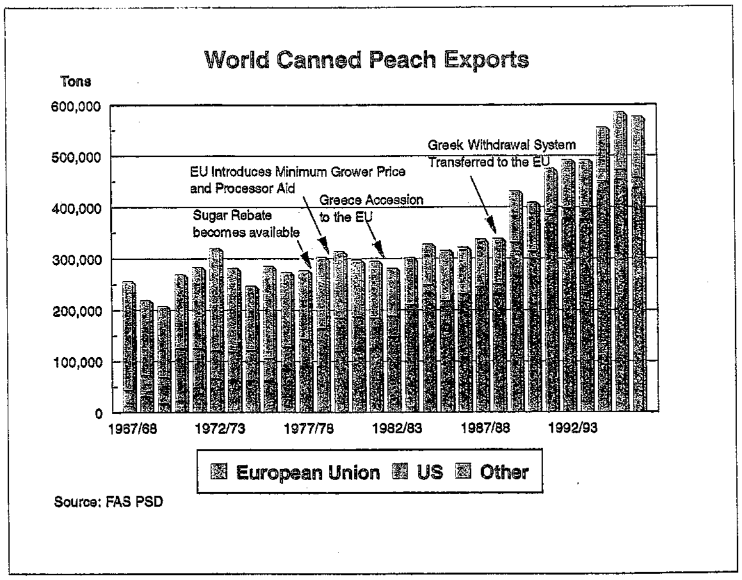
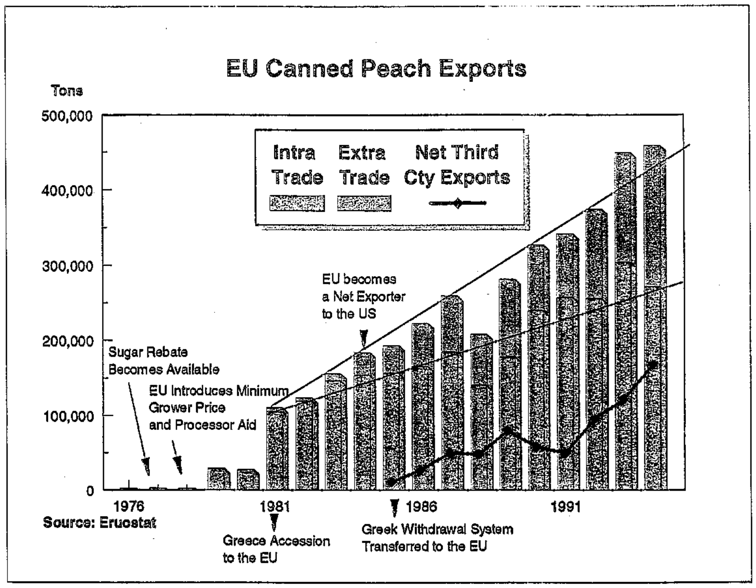


- There is a direct correlation between the level of EU subsidies and the volume of Greek exports of canned peaches.
- Greece exports over 95% of its canned peach pack.
- Neither the canned fruit agreement (CFA) nor any of its subsequent amendments have controlled either excessive expenditure or unbridled, subsidized Greek exports.

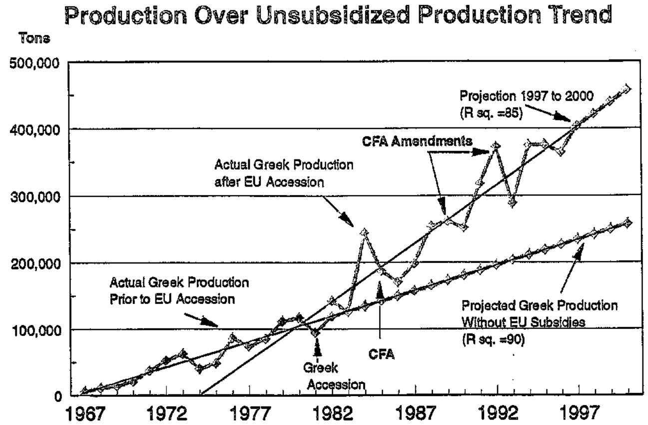


- In spite of relatively flat world production, world exports have increased well over 100 percent.
- World shipments have increased over 309,000 tons but the EU's shipments increased over 425,000 tons.
- U.S. and other suppliers, once competitive in world trade can not hope to capture third country markets and must stave off EU subsidized exports into their domestic markets through anti-dumping and countervailing duty actions.



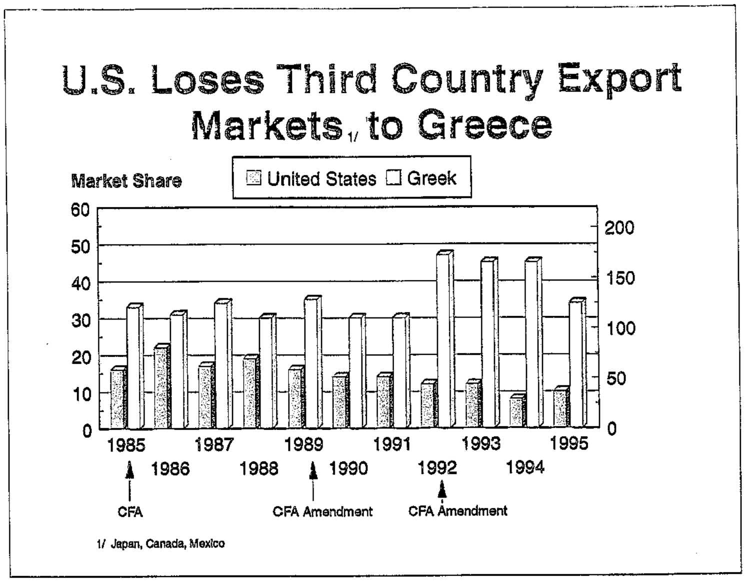
- As the growth of intra EU trade declines as the EU reaches a level of full comsumption.
- Exports to third countries increase and become more important to EU producers.

EU Subsidies Dramatically Increased Greek Canned Peach Production Over Unsubsidized Production Trend

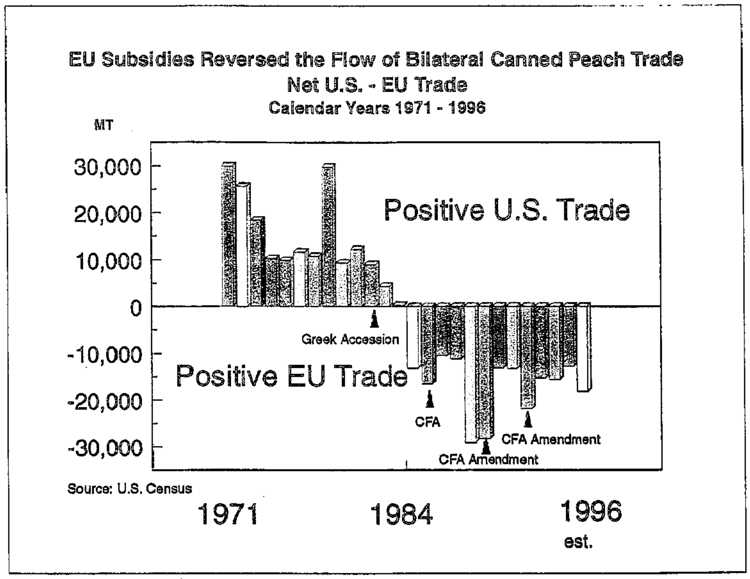


Source: FAS PSD

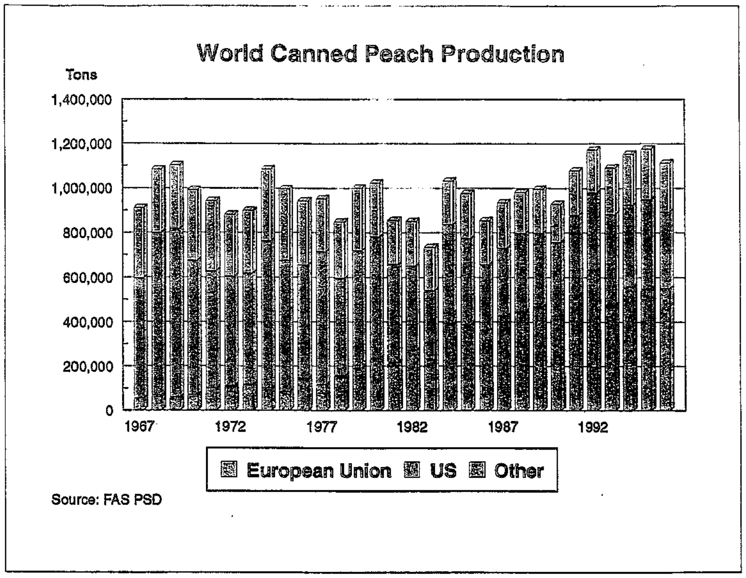
- Since accession to the EU, Greek cling peach producers and canners have received substantial subsidies.
- The average subsidy, for just the processing aid and withdrawal payments, for the years 1989 through 1994, was 320 ecu ($379) for each ton packed.
- In spite of the theoretical limitations imposed by the Canned Fruit Agreement (CFA), excessive subsidies have boosted production beyond market demand.



- The excessive expenditures have led to rampant Greek exports harming U.S. market share in third country markets.
- Since 1984, canned peach imports, by leading countries, have increased over 180 percent. The U.S. market share has fallen while Greece's has increased.
- The canned fruit agreement has not corrected this situation.



- Excessive EU expenditures to support peach production and processing have reversed the U.S. - EU trade position.
- Ever expanding Greek exports have eliminated the U.S. presence in the EU and have reduced U.S. domestic sales.



- Over the last 30 years world canned peach production has remained fairly constant. The average canned pack is around 936,000 tons, but has fluctuated as much as 25 percent from this figure due to weather affected fresh peach production.
- What is notable is the growth in the EU's share of production compared to the rest of the world's.
- From 1978 to 1983 the EU's share jumped from 12 to 42 percent and now accounts for almost 50 percent of world production.

FOOTWEAR
Industries
of
America

STATEMENT OF

FOOTWEAR INDUSTRIES OF AMERICA, INC.

TO THE SUBCOMMITTEE ON TRADE
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C.

U.S. TRADE WITH SUB-SAHARAN AFRICA

May 13, 1997

I. INTRODUCTION AND STATEMENT OF POSITION

This statement is submitted on behalf of Footwear Industries of America, Inc. (FIA), a trade association representing domestic manufacturers and distributors of nonrubber footwear, and a substantial portion of their suppliers. The domestic nonrubber footwear industry encompasses men's, women's, children's, athletic, work, slippers, and other footwear. The industry is located in 38 states where it operates in over 350 footwear manufacturing establishments.

This statement responds to the Trade Subcommittee's request for input from interested parties regarding trade with Sub-Saharan Africa. In particular, FIA wishes to comment on H.R. 1432, the African Growth and Opportunity Act, which would eliminate the statutory exclusion of footwear from the Generalized System of Preferences (GSP) program for countries in Sub-Saharan Africa.

The domestic nonrubber footwear industry is opposed to the elimination of the exclusion of nonrubber footwear from coverage under the GSP for Sub-Saharan African countries. Tremendous import growth over the years has devastated this domestic industry and left it a shell of what it once was. Duty-free treatment for nonrubber footwear will stimulate rapid growth in imports from Sub-Saharan African countries which will erode further the fragile health of the remaining domestic producers. More factories will close and more workers will lose their jobs. Economic development in Africa should not come at the expense of U.S. industry, particularly one which has already suffered so much from imports.

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II. THE NONRUBBER FOOTWEAR INDUSTRY IS EXTREMELY IMPORT-SENSITIVE

U.S. imports of nonrubber footwear have increased so rapidly over the past years as to capture almost the entire U.S. market. Imports of nonrubber footwear rose from 726 million pairs in 1984 to 1.1 billion pairs in 1996, and on a value basis grew from $4.7 billion to $10.5 billion. By 1996, imports accounted for 90.2 percent of the U.S. market. Less developed countries accounted for the vast majority of these imports.

The huge growth in imports has displaced domestic production and caused plant closings and layoffs. In the last three years alone 47 shoe factories have shut their doors. Most of these factories were located in small towns with limited employment opportunities for laid off shoe workers. The toll in lost jobs has been staggering as employment in the nonrubber footwear industry fell by 60 percent between 1984 and 1996, from 114,700 workers to only 46,100 workers.[1]

The U.S. Government has long recognized the products of the nonrubber footwear industry as import-sensitive:

-- they are statutorily excluded from duty-free treatment under certain trade preference programs, including the Caribbean Basin Initiative, the Andean Trade Preference Act, and the Generalized System of Preferences;

-- most categories of nonrubber footwear were exempted from duty cuts in the Tokyo and Uruguay Trade Rounds because injury due to imports had been found to exist; and

-- they were deemed to be among the most sensitive U.S. products in the NAFTA tariff negotiations with Mexico, designated for stage C (i.e., ten-year phase out).

Further evidence of the injury suffered by the domestic industry is found in the numerous trade actions it has been forced to take over the years, including four Section 201 cases, a 301 case, and several countervailing duty cases.

The Government understood that less developed countries, eager to industrialize and with low paid work forces, posed a real threat to domestic producers. Today the plight of the domestic industry is even more precarious and the vulnerability to imports that much greater.

III. SUB-SAHARAN AFRICAN COUNTRIES HAVE THE POTENTIAL TO BECOME MAJOR SUPPLIERS TO THE UNITED STATES

Less developed countries regard the development of a footwear industry as an important first step along the road of industrialization. As shoe-making technology has spread

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[1] Employment and Earnings, U.S. Department of Labor Bureau of Labor Statistics.

throughout the world, these countries have built shoe factories and directed much of the production to the United States. New suppliers have emerged rapidly to compete with existing suppliers.

U.S. imports of nonrubber footwear illustrate this development. In 1984 Taiwan and Korea were the two largest suppliers of nonrubber footwear to the United States accounting for 59 percent of total imports. Imports from China of 12.7 million pairs accounted for less than 2 percent of imports. By 1996 China had become the largest supplier of nonrubber footwear to the United States (750.9 million pairs) accounting for 68 percent of total imports. Although Taiwan and Korea's share of total imports in 1996 fell to less than 3 percent, imports from the two countries were still large (27.9 million pairs valued at $341 million).

Sub-Saharan Africa has not yet become a major player in worldwide nonrubber footwear trade. But the building blocks of a formidable footwear industry -- cheap labor, a desire to industrialize, and a rapidly developing leather industry -- are in place. FIA notes in particular a major effort by international development organizations to help in the development of the African leather industry. These organizations, the International Trade Centre UNCTAD/WTO, the Food and Agricultural Organization of the United Nations, and the United Nations Industrial Development Organization, are undertaking major efforts to not only grow the African leather industry but also to help it expand into the production and exportation of leather-related goods including footwear. Materials documenting these efforts are provided for the Subcommittee's review.

Duty-free entry of nonrubber footwear from Sub-Saharan African countries will stimulate powerfully the production there of nonrubber footwear. And much of this production will make its way to the United States as African producers will enjoy a significant competitive advantage over producers in other countries which must pay U.S. duties on these products.[2]

IV. CONCLUSION

The domestic nonrubber footwear industry has been wracked by imports. Footwear was excluded from coverage under the GSP in order to provide some protection for domestic producers. Eliminate this exclusion now and soon the domestic industry will have to contend with increased imports from yet another region of the world. Africa needs to grow and prosper. But this must not come at the expense of closed shoe factories and unemployed shoe workers. FIA requests that other means be found to stimulate development in Africa.

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[2] The transshipment of nonrubber footwear through Sub-Saharan African countries by non-African producers to avoid U.S. duties will lead to even greater levels of imports from the region.

ITC'S ALL AFRICA LEATHER CONVENTION & TRADE FAIR
SOUTH AFRICA

CAPETOWN - DECEMBER 1998

GENEVA - At the request of most of the African Leather Trade Associations, the International Trade Centre UNCTAD/WTO (ITC) is launching an "All Africa Leather Convention & Trade Fair". The event is scheduled every second year in a different country in Africa and at a different time. First venue selected by the African leather industry is Capetown/South Africa in December 1998. The 2nd venue will be Casablanca/Morocco, the 3rd will be Nairobi/Kenya.

An event organized at the request of the Africans for Africa

At a conference organized by ITC in Nairobi in December 1996, representatives of sixteen African countries and leather trade associations mandated ITC to launch an African Leather Convention and Exhibition according to a thoroughly discussed and precise programme agreed upon during the meeting.

The need to create a big event to promote the African leather industry as a whole, was already envisaged and was one of the recommendations made at African leather seminars, organized in Morocco and in Sudan in 1995 by the United Nations Economic Commission for Africa (UNECA) and the Islamic Development Bank. ITC is now trying to implement that recommendation.

ITC's event will include all African countries. Promoting Intra-African trade between Northern and Southern, Eastern and Western African nations, is one of its objectives. ITC intends to support African participation as much as project funds allow, in order to secure the greatest possible participation and thus chance of success.

An event which is keeping with an international market seeking raw material

Today, the far majority of Africa's exports in the leather sector still consist of raw hides and skins, wetblue and crust leather. Exports of finished leather and leather products represent a growing but still minor share. ITC has been working on the development of Africa's leather industry in order to add value to its raw material, through multiple other projects since many years, and it will continue to do so. However, ITC also believes that while building an industry, the problems of today and the exports of raw and semi-finished material also need immediate attention.

ITC is very much aware of the fact that the world's entire leather industry is increasingly more interested in the raw, wetblue and crust hides and skins from Africa. In many developed countries numbers of raw hides and skins available to the leather industry are rapidly reducing. Africa is one of the few sources where new supply possibilities still exist or can be created or improved.

A promotional pan-African operation rather than a traditional trade fair

ITC at first considered to organize a traditional trade fair, but decided to abandon that approach. Its long-time experience in the African leather industry and the conviction amongst many tanners and manufacturers in the developed world that there are enough trade fairs already, made ITC decide for a totally different approach. The objective is to promote the image and export performance of the African leather trade and industry without limitations as to products, countries or regions. The event aims to promote Intra-African trade as much as Inter-Continental trade; African leather industry strategies will be discussed at the Convention; a buyers/sellers meeting will be organized; commercial knowledge amongst African exporters and manufacturers is to be increased at a number of seminars and workshops.

A limited number of non-African exhibitors will be allowed at the trade fair, which should remain a basically African event. Visitors are of course welcome from everywhere.

ITC's event is scheduled to take place every second year in a different country in Africa and at a different time. Timing will depend on local circumstances. The first venue selected by the African Leather industry is Capetown/South Africa, also because of its many tourist attractions (an important <<Extra>> argument to attract visitors from overseas) and lower cost. Capetown is easily and directly accessible by air from Europe and other places. The 2nd venue will be Casablanca/Morocco in the year 2000, the 3rd will be Nairobi/Kenya in 2002. Other selected countries have already offered to act as host country later on.

An initiative supported by the African industry and sponsored by organizations world-wide

Funds for the preparationof the event and a world-wide publicity campaign together amounting to hundreds of thousands of dollars have already been committed by donors. Strong interest to exhibit has already been received from various countries.

Focal points in Africa will be nominated to assure dissemination of information to and from the various regions.

Continuing support is secured from the trade press. The event has already been extensively covered in the trade's leading magazines. On top of that there is continuous coverage by ITC's own <<Market News Service>> in more than 70 countries every two weeks at no extra costs to the project.

A most interesting and the very latest development is the partnership agreed upon with the Group Semaine Internationale du Cuir (SIC Group), long time organizer of the world's oldest and best known leather trade fair in Paris and co-organizer of the APLF in Hong Kong and PAL in Miami. SIC Group is assisting ITC's effort not only with a significant amount of money but also with its much experienced and international trade fair organization team.

Consultations for support, funding and participation are being held with a great number of donor and trade organizations. Commitments from many sides have already been obtained.

ITC's event is logically supported by its United Nations colleagues FAO and UNIDO. The three organizations have been working together in the leather industry in Africa since many years.

Recapitulation of participating organizations/supporters/donors:(update till 20/3/97)

- CBI (Centraal Bureau Import Bevordering uit Ontwikkelingslanden) - Netherlands
- SIC (Groupe Semaine du Cuir) - France
- GTZ/Protrade (Gesellschaft fuer Technische Zusammenarbeit) - Germany
- UNIDO - United Nations Industrial Development Organization) - Austria
- FAO - (Food and Agricultural Organization of the United Nations) - Italy
- Organization of the Islamic Conference - Morocco
- ESALIA (East and Southern Africa Leather Industry Association - Kenya)
- COMESA/LLPI (Leather and Leather Products Institute of the COMESA countries) - Ethiopia
- University of Grahamstown - South Africa
- Centre National du Cuir et de la Chaussure - Tunisia
- Group Aliz Cuirs et Peaux - Burkina Faso
- El Nasr Tanning Co. - Egypt
- Ethiopian tanners association - Ethiopia
- OMBEVI - Mali
- OMNIUM Industriel de Madagascar - Madagascar
- FEDIC - Morocco
- Tanners Association of Namibia - Namibia
- Skin Hide & Leather Council - South Africa
- Sudanese leather footwear chamber - Sudan
- Leather Association of Tanzania - Tanzania
- Leather and Allied Industries Association - Uganda
- Leather Industries Association of Zambia - Zambia
- Leather Institute of Zimbabwe
- Council of Tanners - Nigeria
- Notacam - Cameroon
- Leather Association of Malawi - Malawi

For further information please contact:

Ron Sauer
International Trade Centre UNCTAD/WTO

AFRICA LEATHER

Africa Leather 97
3-5 December 1997 in Johannesburg - South Africa

We are pleased to inform you that **Africa Leather 97** is a new annual fair jointly organised by ***Ente Fieristico Areapelle*** and ***Miller Freeman Asia Limited*** and will be held at the Gallagher Estate Exhibition & Conference Center offering first class exhibition facilities and perfect surroundings with the very latest international technology facilities in Midrand near Johannesburg, the most commercially active region in South Africa.

The dynamic joint-venture aims to bring together all those from the Leather Industry who are interested to establish and develop contacts and/ or technical co-operation with manufacturers from the whole African continent at one meeting point. Products to be displayed include raw materials, synthetics, accessories, machineries, chemicals, finished products as well as plant technology and services.

Africa Leather 97 is supported by ***F.A.O.***, "The Food and Agricultural Organisation of the United Nations" in a bid to boost its long term assistance programme in the region together with ***ESALIA***, "The Eastern and Southern African Leather Industries Association". Participating in **Africa Leather 97** offers you :

- Semi-finished products to satisfy the booming sectors such as Footwear and leathergood products in Africa.
- Technical modernisation and specialisation of all leather sectors in Africa.
- A great sourcing tool for various raw materials that can supply the African continent.

The Industry's reaction has been overwhelmingly positive and exhibition space has been reserved by Argentina, Brazil, Italy, India and Hong Kong to name but a few.

Take this excellent opportunity to broaden your knowledge and maximise business in the Africas and ACT NOW !!!

For further information relating to exhibition space and advertisement in the **Africa Leather 97** Exhibition Directory, you are cordially invited to visit our **Africa Leather 97** stand located on the right side of the entrance level 7 for the duration of both Asia Pacific Leather Fairs or you can also complete and fax/ return the reply form on the reverse of this page to the appropriate office after the fairs.

Statement of International Mass Retail Association, Arlington, Virginia

This statement is submitted on behalf of the International Mass Retail Association, which represents the largest and fastest growing segment of the retail industry. IMRA's membership includes discount department stores, home centers, category dominant or specialty discounters, catalogue showrooms, dollar stores, warehouse clubs, deep discount drugstores, and off-price stores. Collectively, IMRA retail members operate more than 70,000 stores in the U.S. and abroad and employ over two million Americans. Our members represent over $380 billion in annual sales.

IMRA fully supports initiatives to liberalize trade between the United States and the countries of Sub-Saharan Africa (SSA). Recent trends in the U.S. retail market offer SSA apparel , home furnishings, and footwear producers opportunities to develop their exports in a way that will foster job growth and development in the region--to the immediate benefit of American consumers, and the long-range benefit of U.S. exports and investment. We believe it will do this without harm to U.S. textile and apparel producers. In addition to Afrocentric products, opportunities abound for the export from SSA producers of basic apparel in the low- to mid-priced ranges--the consumer markets of key importance to IMRA members.

In some SSA countries, sufficient domestic and foreign investment has already produced factories capable of competing with those in Asia; in others, however, much needs to be done to remove significant constraints to competitiveness. The United States could do much to encourage development in these economies by removing its textile and apparel barriers to their exports, and by expanding and making permanent GSP benefits in the region.

The Sub-Saharan Region Offers Sourcing Opportunities

SSA suppliers offer U.S. retailers opportunities to source two very different types of products: ethnic Afrocentric home furnishings and clothing, and low- to moderately-priced basic apparel products.

The American market is unique among developed country apparel markets in that a relatively large and a growing market exists for ethnic apparel and home furnishing products, and in particular for Afrocentric apparel and home furnishings. Just under 34 million consumers--almost 13 percent of the U.S. population--describe themselves as African-American. School curricula are increasingly emphasizing ethnic heritage, fueling a future generation of demand for consumer products tailored to an appreciation of that heritage. A market for Afrocentric products, from wood carvings and books to home furnishings (throw pillows and sheets, for example) to apparel, has been growing. Some estimate the total spending power of African American consumers at $300 billion.

Retailers are responding to this growing demand for "Afrocentric" products. Many IMRA members have initiated product lines directed at African-American customers which incorporate goods--apparel as well as handicrafts--with African-inspired themes. Indeed, an entire handicraft export industry developed in Ghana to supply major U.S. retailers.

Demand for ethnic, hand-crafted merchandise is particularly strong in the growing home products sector, and to a much smaller extent in apparel. So far U.S. manufacturers have supplied most of this demand. U.S. suppliers have taken African designs and modified them to American tastes. Nevertheless, authenticity is important for some consumers. Consequently, retailers are keen to source such products from Africa.

In apparel, SSA countries are most competitive today in exporting basic garments, such as shirts, T-shirts and trousers. The U.S. market for these products is highly competitive, and price is a major factor in a consumer's decision to purchase a given product. These items are "bread and butter" items for IMRA member stores.

Unfortunately, these are also the very products most often subject to a U.S. quota. In particular, the two categories most frequently sourced from SSA are cotton knit tops (Categories 338 and 229), men's cotton shirts (Category 340) and men's and women's cotton trousers (Categories 347 and 348)--categories where U.S. quota limits are typically filled by other countries. But these categories represent basic apparel items that U.S. mass retailers must stock, and if supply is limited by quotas and the high cost of U.S. manufacturers, sourcing from quota-free suppliers in SSA becomes quite attractive.

Apparel and home furnishings sourcing from SSA is complicated by a host of factors that are in most cases the consequence of underdevelopment. With time and opportunity, many of them can be eliminated and the region can compete.

Importers require particularly large volumes in the U.S. market, which is dominated by mass retailers such as those represented by IMRA. To meet these orders, African exporters must either coordinate the production of many independent, small, traditional producers or invest in a factory where the items can be manufactured or assembled in-house. There has yet to be much investment in facilities in Africa to manufacture crafts in large quantities, and achieving volume production in handicrafts continues to revolve around the coordination of many small producers in most cases. One of Africa's greatest impediments to handicraft exports today is lack of experienced export intermediaries to play this coordinating role.

Poor sea freight infrastructure in Africa often delays shipments. Ships routinely arrive in port late and leave late. Ocean freight rates in SSA are expensive compared to Asia. Arrival and departure dates of ships are subject to change at a moment's notice and security at the port is often a problem for exporters who do not load and seal their own containers. Many exporters are thus forced to send goods via air freight, which costs at least three times more than sea cargo. Exporters in landlocked nations like Zimbabwe rely almost exclusively on air freight because customs duties and other "fees" on intra-African trade are generally extraordinarily expensive.

Poor internal infrastructure creates hurdles for on-time delivery. During the rainy seasons dirt roads can become impassable. Lack of electricity keeps workers from being able to work longer hours to meet a deadline and limits production to a single shift.

Because of significant delivery problems throughout SSA, handicraft intermediaries in Africa as well as foreign wholesalers who have specialized in African craft imports state that they have to keep rather significant levels of inventory in order to ensure on-time delivery. This adds another cost to the product since inventories must be financed and stored.

Using letters of credit (LCs) for imports of handicrafts from Africa is virtually impossible unless there is an experienced intermediary handling the order because many artisans are ill-prepared for dealing with international financial documents. But even if there is a qualified intermediary, using a letter of credit poses problems in Africa. Delivery delays, which are commonplace, can invalidate an LC. Delays and extra costs ensue to open a new LC. In addition, African banks are reluctant to extend credit based on LCs, particularly to first-time exporters, because there is a significant risk of non-shipment. Until African exporters develop a track record of success, banks will be reticent to lend.

Providing Duty-Free Treatment Through GSP or Directly Can Make A Difference

SSA suppliers face so many difficulties that it's a wonder that anyone is really interested in doing business there. But there is interest, and the textile examples provided below show how reducing duties can make a big difference in sourcing decisions. Table 1 shows the average per-dozen values for total U.S. imports of men's cotton blue denim trousers in 1995. It shows that two of the three leading SSA suppliers of this product to the United States were quite competitive in basic cost compared to Mexico and China, and higher than CBI producers, with per-dozen values of $86 (South Africa and Lesotho). However, import duties of 17.4 percent ad valorem and freight charges boost these SSA producers' costs considerably, putting them well out of the range of Mexico and CBI producers, but still below China. Mauritius remains a relatively expensive source even if duties are eliminated. If duties are eliminated on U.S.

imports of these SSA products, some SSA suppliers clearly would become quite strong alternative suppliers to China and other similarly-priced Asian suppliers. Duty-free status most likely would not jeopardize men's jeans suppliers in Mexico or the CBI, which would continue to enjoy proximity advantages that SSA suppliers can never achieve.

Similar calculations for women's cotton T-shirts also show that duty-free status (the 1997 tariff rate is 20.6 percent) would significantly improve the competitiveness of some SSA suppliers, particularly relative to Asian suppliers such as China, but not at the expense of Mexico or CBI producers. (Table 2)

For Textile Products, Duty Free is Not Enough

Obviously, the elimination of duties reduces the usual costs of doing business and can make the countries of Sub-Saharan Africa more competitive with other, far more developed suppliers, particularly those in Asia. Reducing tariffs is very important to spurring development in the region, because, by-and-large, the countries of sub-Saharan Africa are not governed by import quotas.

But reducing tariffs alone is not sufficient.

IMRA's members say that intangible "uncertainty costs" also limit their ability and desire to do business in the region. These costs include such intangibles as the possibility of illegal transshipments, the child labor situation, intellectual property rights protection, and of course the most important intangible of all--the chance that the United States will impose quotas on products from the source country in the near- or mid-term. History shows that it doesn't take a very large level of exports before the United States will invoke its safeguard rights under the Agreement on Textiles and Clothing (ATC) to impose new quotas on so-called "sensitive" categories like cotton shirts and pants. Indeed, in her testimony before the House Ways and Means Committee on this issue, Ambassador Charlene Barshevsky reiterated the administration's view that, even for Africa where textile exports are so small, the use the safeguard measure is justified if the product exported is "sensitive".

Table 3 provides a text-book example of the chilling affect this safeguard has on development. Kenya had begun to develop a promising textile and apparel export industry when in 1994 the United States effectively shut it down by imposing quotas on "sensitive" categories like cotton shirts and trousers. The quotas not only limited Kenya's export potential, but they scared off retailers and importers. The fact that today Kenya does not fill its quotas does not mean that the quotas have no impact, it simply means that the potential for development has been shut down.

History tells us that quotas on categories such as cotton shirts and trousers are almost inevitable. This fear or uncertainty cannot be minimized, but it is also extremely difficult to quantify. IMRA strongly believes that Congress should establish an explicit "no-quota policy" so that investors can have some assurance that quotas or the threat of quotas will not shut-down investment.

Trade Liberalization Will Lower Consumer Costs

Trade liberalization does not just provide benefits to the nations of SSA. U.S. consumers benefit as well. IMRA has recently conducted an economic analysis of providing duty free treatment for textile and apparel exports from the Sub-Saharan region. Using the ITC's COMPAS model we determined that a no-tariff policy will lower consumer costs, without significant damage to domestic producers. Tariff elimination applied to exports from the Sub-Saharan region would lower the cost of all apparel sold in the United States, including U.S.-made apparel. Such a policy would also direct economic resources into sectors of the U.S. economy where they would be used more efficiently. We estimate that the value of lower prices and greater economic efficiency will total between \$72.2 million to \$93.1 million each year at wholesale. The retail value of these cost benefits would be higher.

Offsetting these gains would be extremely modest losses by U.S. producers of $5.6 million to $7.2 million -- a far cry from the enormous loss of jobs that some producers have suggested, should we expand trade opportunities with the SSA region.

Conclusion

For all these reasons, IMRA strongly supports efforts to expand trade in the SSA region through the permanent extension of GSP, the expansion of GSP products for the SSA region, and the elimination of textile and apparel quotas in the region.

TABLE 1

Men's Cotton Blue Denim Jeans, 1995
(HTS No. 6203.42.4010)
(Dollars per Dozen)

Source	Customs Value	Import Duties	Int'l. Freight, Insurance Charges*	Total	SSA Supplier Total if Duty-Free
Mauritius	$108.59	$19.11	$11.99	$139.69	$120.58
South Africa	86.75	15.26	3.18	105.17	89.93
Lesotho	86.23	15.18	3.05	104.46	89.28
Mexico	89.72	0.57	0.77	91.06	n.a.
CBI Countries	76.83	4.76	1.84	83.43	n.a.
China	88.22	15.51	4.35	108.08	n.a.

* Freight from the port of export to the first port of entry to The United States

Source: The Trade Partnership from U.S. Census data.

TABLE 2

Women's Cotton Knit T-shirts, 1995
(HTS No. 6109.10.0040)
(Dollars per Dozen)

Source	Customs Value	Import Duties	Int'l. Freight, Insurance Charges*	Total	SSA Supplier Total if Duty-Free
Mauritius	$40.91	$8.43	$1.97	$51.31	$42.88
South Africa	38.62	7.96	4.79	51.37	43.41
Lesotho	30.04	6.19	1.17	37.40	31.21
Mexico	28.39	nil	0.33	28.72	n.a.
CBI Countries	28.07	2.54	0.86	31.47	n.a.
China	30.94	6.26	2.12	39.32	n.a.

* Freight from the port of export to the first port of entry to the United States

Source: The Trade Partnership from U.S. Census data.

TABLE 3

U.S. Apparel Imports from Kenya, 1994-96

		1994	1995	1996
Cotton Apparel				
334	MB Other Coats (doz.)	3,348	16,160	16,992
336	Dresses (doz.)	503	2,525	19,087
340	MB Woven Shirts (doz.)	395,039	388,247	230,591
347	MB Trousers (doz.)	249,236	184,795	197,041
MMF Apparel				
636	Dresses (doz.)	0	12	16,257
Silk Blend and Veg. Fiber Apparel				
847	MB Trousers (doz.)	72	1,547	16,215
Home Furnishings				
360	Cotton Pillowcases (Nos.)	1,973,160	598,656	426,576
361	Sheets (Nos.)	158,424	510,864	67,560

Source: U.S. Department of Commerce, Office of Textiles and Apparel, Major Shippers 1996.

Liz claiborne

April 29, 1997

The Honorable Philip Crane
Chairman, Subcommittee on Trade
Committee on Ways and Means
U.S. House of Representatives
1104 Longworth House Office Building
Washington, D.C. 20515

RE: Statement for the Record of April 29, 1997 --
Hearing on Expanding Trade with Sub-Saharan Africa

Dear Chairman Crane:

Liz Claiborne, Inc. applauds your Subcommittee's efforts to expand and develop trade and investment opportunities in Sub-Saharan Africa. The legislation that you, along with Congressmen Rangel and McDermott, sponsored last September would bring about much needed change in U.S. policy toward Africa and we look forward to your sponsoring a similar measure in this Congress.

The potential for real and sustainable economic growth in the Sub-Saharan African countries is strong. With the expansion of democratic governments and economic reforms, Africa is poised to participate in the global trade flows that have largely passed by this continent.

Yet, the position of the Sub-Saharan African countries remains fragile. Existing impediments to trade and investment can be overwhelming. The serious lack of infrastructure discourages many companies, including our own, from moving ahead with investment in the region. Ports, roadways, utilities, in most cases, are simply not adequate to support industrial development.

LIZ CLAIBORNE INC
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TELEX 423221 LIZCNJ

That is why we view last year's bill, the African Growth and Opportunity: the End of Dependency Act," as such an important beginning. By reducing U.S. tariffs on a wider range of products -- including textile and clothing -- and supporting increased public-private development efforts, this legislation would hasten the removal of these existing barriers to U.S. trade and investment.

The tariff reductions for textile and apparel are particularly important to this effort -- providing companies an incentive to make the investment and providing a good starting point for unskilled workers in a developing country. This new production not only contributes to job creation in the short-term, but has long range benefits as well. Skills developed in the production of clothing enable workers to move on to more complex manufacturing industries as the economy expands.

As budget constraints diminish U.S. foreign aid to the region, private foreign investment such as this becomes even more critical, not only bridging the funding gap, but strengthening the African economy in unprecedented ways.

Again, we are pleased with your Subcommittee's interest in this issue and offer our full support for your efforts.

Sincerely,

Frank X. Kelly
Vice President
Customs and International Trade

LLGMA

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LUGGAGE & LEATHER GOODS

the finishing touch

STATEMENT OF

THE LUGGAGE AND LEATHER GOODS MANUFACTURERS OF AMERICA, INC.

TO THE

HOUSE WAYS AND MEANS TRADE SUBCOMMITTEE
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C.

ON EXPANDING TRADE WITH SUB-SAHARAN AFRICA

MAY 13, 1997

I. INTRODUCTION AND STATEMENT OF POSITION

This statement is submitted on behalf of the Luggage and Leather Goods Manufacturers of America, Inc. (LLGMA), a trade association representing the U.S. luggage, flat goods, and handbag industry, in connection with the Subcommittee's request for input from interested parties on legislative proposals to expand trade with Sub-Saharan Africa.

At the present time, the Subcommittee has before it legislation, H.R. 1432, the African Growth and Opportunity Act, which would eliminate the statutory exclusion of textile and non-textile luggage, handbags, and flat goods from the Generalized System of Preferences (GSP) for Sub-Saharan African countries. The U.S. travel goods industry is opposed to the elimination of the exclusion of its products from the GSP program. The industry is similarly opposed to quota-free treatment for textile products.

Textile luggage of all types is subject to quotas when imported from China, Taiwan, and Korea. Textile handbags and flat goods are also subject to various textile restraints. Tremendous import growth over the years has ravaged the domestic travel goods industry. Duty-free and quota-free treatment for luggage, flat goods, and handbags will stimulate rapid growth in imports from Sub-Saharan African countries which will erode further the fragile health of domestic producers. More factories will close and more workers will lose their jobs. Economic development in Africa should not come at the expense of U.S. industry.

II. THE LUGGAGE, FLAT GOODS, AND HANDBAG INDUSTRIES ARE EXTREMELY IMPORT-SENSITIVE

The increase in U.S. imports of luggage, flat goods, and handbags over the past years has been remarkable. Imports of luggage almost quadrupled between 1984 and 1996, from $549 million to $2.0 billion. Imports of flat goods more than tripled during the same period, from $134 million to $406 million, and imports of handbags jumped from $577 million to $1.0 billion. The vast majority of these imports came from less developed countries. In 1996 over 80 percent of total U.S. imports of luggage were from less developed countries. For flat goods and handbags, the percentages were 69 percent and over 70 percent, respectively.

The growth in imports has displaced domestic production and caused plant closings and layoffs. Many companies have exited the business altogether or have been forced to import some or all of their product lines in order to compete. Employment in the luggage industry fell by 20 percent between 1984 and 1996. The loss of jobs in the flat goods and handbag industry was even more severe as the number of employees plunged by 57 percent between 1984 and 1996.[1] The imports' low prices have exerted powerful downward pressure on domestic prices further hindering the viability of domestic producers.

The U.S. Congress and Executive Branch have long recognized the products of the luggage, flat goods, and handbags industry as import-sensitive:

-- they are statutorily excluded from duty-free treatment under certain trade preference programs, including the Caribbean Basin Initiative, the Andean Trade Preference Act, and the Generalized System of Preferences;

-- their tariffs were cut only slightly or not at all in the Uruguay Trade Round negotiations; and

-- they were deemed to be among the most sensitive U.S. products in the NAFTA tariff negotiations with Mexico, designated for stage "C" (i.e., ten-year phase out).

Congress took affirmative action in 1984 to add a statutory exclusion to the GSP program for luggage, flat goods, and handbags of non-textile[2] materials on the basis of extreme import sensitivity. It is worth noting that imports in this sector have almost triped since 1984. It was understood that less developed countries, eager to industrialize and with low paid work forces, posed a real threat to domestic producers. Today the plight of the domestic industry is even more precarious and the vulnerability to imports that much greater.

III. SUB-SAHARAN AFRICAN COUNTRIES HAVE THE POTENTIAL TO BECOME MAJOR SUPPLIERS TO THE UNITED STATES

One of the defining characteristics of the world economy today is the mobility of the factors of production to those regions and countries with the lowest labor costs. This is particularly true in the case of labor intensive industries such as luggage, flat goods, and handbags, factories for which can be built quickly and production expanded rapidly. Foreign producers of these products scour the globe for low wage countries and then quickly establish production facilities to make goods for export to the United States. When labor costs increase, these producers often shut down their facilities and move their operations to other low wage countries.

Trends in U.S. imports of luggage illustrate the changing composition of supplier countries as producers have shifted production to take advantage of lower wage rates. In 1984 Taiwan and Korea were the two largest suppliers of luggage to the United States accounting for 78 percent of total imports. China, the Philippines, and Thailand were insignificant suppliers. By 1996 China had become the largest supplier of luggage to the United States accounting for 40 percent of total luggage imports. Imports from the Philippines and Thailand accounted for 17 percent of total luggage imports. And tiny Sri Lanka, which exported no luggage to the United States in 1984, supplied $75 million worth of luggage in 1996. Taiwan and Korea's share of total luggage imports fell to only 19 percent. However, imports from Taiwan and Korea in 1996 were still large at $388 million.

Duty-free entry of luggage, flat goods, and handbags from Sub-Saharan African countries will create powerful incentives for foreign producers of these goods to establish operations there. First, they will enjoy wage rates among the lowest in the world. Second, they can take advantage of a region that has piqued the interest of international development organizations eager to help

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[1] Employment and Earnings, U.S. Department of Labor Bureau of Labor Statistics.

[2] Textile luggage, flat goods, and handbags are subject to the GSP statutory exclusion for textiles and apparel since they are considered to be "textile and apparel products which are subject to textile agreements."

African countries expand and develop their leather industries.[3] Finally, they will enjoy a major competitive advantage vis-a-vis producers in other developing countries which must pay the significant U.S. duties on these goods.

The domestic industry also will be vulnerable to transshipment of luggage, flat goods, and handbags through Sub-Saharan African countries to avoid U.S. duties and quotas. In recent years, many foreign producers have resorted increasingly to the illegal transshipment of their goods through third countries to evade U.S. quotas. The U.S. Customs Service has undertaken strenuous efforts to combat this problem but the magnitude of the task is immense. Forty-eight Sub-Saharan African countries with duty-free access to the United States will provide non-African producers with a multiplicity of avenues for transshipping luggage, flat goods, and handbags through African countries to the United States, and will impose on Customs a near impossible enforcement burden. This illegal movement of goods will exacerbate further the import problems faced by the domestic industry.

IV. CONCLUSION

The domestic luggage, flat goods, and handbags industry has been battered by imports, particularly from less developed countries. To provide some measure of protection for the industry, its products were excluded from coverage under the GSP. Eliminating this exclusion and the potent threat of quota restraints now will lead to an influx of imports from Sub-Saharan African countries and will inflict more harm upon the domestic industry. Economic development in Africa is a laudable goal. But the preservation of American industry and American jobs is important too. The LLGMA requests that other means be found to stimulate growth in Africa.

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[3] The International Trade Center UNCTAD/WTO, the Food and Agricultural Organization of the United Nations, and the United Nations Industrial Development Organization are actively assisting in the development of the African leather industry and its expansion into the production of leather goods. "ITC's All Africa Leather Convention & Trade Fair South Africa," Communique from the International Trade Center. UNCTAD/WTO, March 20, 1997.

UNITED STATES HOUSE OF REPRESENTATIVES
BEFORE THE COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON TRADE

Statement of Paul Ryberg, Jr.
On Behalf of the Mauritius Sugar Syndicate
and the Mauritius-U.S. Business Association, Inc.
Concerning U.S. Trade Policy with Sub-Saharan Africa

This statement is submitted for the record on behalf of the Mauritius Sugar Syndicate ("MSS") and the Mauritius-U.S. Business Association, Inc. ("MUSBA") in connection with the Subcommittee's April 29, 1997 hearing on U.S. trade policy concerning Sub-Saharan Africa. The MSS is a private sector organization that is responsible for marketing sugar produced in Mauritius, including sales to the United States under the U.S. tariff rate quota, on behalf of sugar planters and millers in Mauritius. I am legal counsel to the MSS in the United States.[1]

MUSBA is a non-profit corporation dedicated to enhancing the opportunities for mutually beneficial bilateral trade between Mauritius and the United States. MUSBA's membership is drawn from the private sectors of both Mauritius and the United States and consists primarily of companies and individuals engaged in importing and exporting goods and services between both countries. MUSBA's members include both Mauritian apparel manufacturers and U.S. apparel importers. I am the current president of MUSBA.

Introduction

In December 1994, Congress passed the Uruguay Round Implementing Act, Pub. L. 103-465, 108 Stat. 4809 (Dec. 8, 1994). Section 134 of that Act called upon the President to "develop and implement a comprehensive trade and development policy for Africa." In February 1996, the President issued his first report to Congress on this subject. While the President's recommendations represented a positive step, particularly by recognizing the need and opportunities for improving investment and trade between the United States and Africa, many believe those recommendations do not go far enough.

Among those in the United States who propose a more forward-looking agenda for promoting trade with and investment in the nations of Sub-Saharan Africa are Reps. Phil Crane, Charles Rangel and Jim McDermott, the original sponsors of H.R. 4198, African Growth and Opportunity: The End of Dependency Act of 1996, which was introduced in the 104th Congress and is expected to be reintroduced this year (the "Crane-McDermott Bill"). The Crane-McDermott Bill is intended to promote economic development in the nations of Sub-Saharan Africa by creating: (1) a U.S.-Africa Free Trade Area; (2) a U.S.-Africa Economic Cooperation Forum; and (3) a Trade and Investment Partnership. The MSS and MUSBA support these proposals.

Prior U.S. economic policy on Sub-Saharan Africa has consisted of little more than direct state-to-state aid. There is a growing consensus, however, that this strategy alone does not work. Instead of aid, what Sub-Saharan Africa needs is trade. Increased trade with the United States will provide the Sub-Saharan African countries with a firmer foundation for economic growth, and with it the development of legitimate and stable democratic institutions. Increased trade will help to alleviate the unemployment problems that many Sub-Saharan African countries face. History teaches us that countries with a healthy economy and a prosperous middle class tend to be democratic, free, and peaceful. On the other hand, countries facing economic turmoil and widespread poverty are frequently desperate, despotic, corrupt, and aggressive. The

1 The MSS is considered to be a "foreign entity" under the Lobbying Disclosure Act of 1995, and Paul Ryberg, Jr. is registered as a lobbyist on its behalf under that Act.

United States has strong strategic and humanitarian reasons to encourage Sub-Saharan African countries to develop along the path of economic development and political freedom.

Some Sub-Saharan African countries, like Mauritius, are already well along this path. Mauritius is free, democratic, and peaceful and it has a free-market economy. Some other countries in Sub-Saharan Africa, unfortunately, have lagged behind. Increased trade with those countries already heading in the right direction will reinforce their resolve. Moreover, it will provide a powerful example and incentive for others to follow.

The Crane-McDermott Bill would also exempt textile and apparel imports from Sub-Saharan Africa from U.S. quotas and duties. MUSBA supports this proposal as a practical and realistic tool to assist in the development of the African textile and apparel industries and thereby to promote economic development in the region generally.

Equally important, the proposal would also limit the potentially negative consequences of the Uruguay Round Agreement on Textiles and Clothing ("ATC") and the North American Free Trade Agreement ("NAFTA") on the developing Sub-Saharan African textile and apparel industries. As explained below, the ATC and NAFTA pose a potentially serious threat to further development of the textile and apparel sectors in Sub-Saharan Africa. While providing quota-free and duty-free access for textiles and apparel from Sub-Saharan Africa would be of tremendous assistance to the economic development of those countries, such a step should have little or no negative impact either on the domestic textile and apparel industry or on continued access to the U.S. market by suppliers in other regions.

It is also important to recognize that economic benefits are likely to accrue to the United States from increased trade with Sub-Saharan Africa. Only countries with prosperous and stable economies have the capacity to buy U.S. products. Until now, U.S. trade with Sub-Saharan Africa has not lived up to its full potential. This is in part due to a lack of foreign exchange resources in Sub-Saharan Africa. Increased trade, however, will open the door for increased U.S. exports to Sub-Saharan Africa and make possible a mutually beneficial two-way trading relationship.

To illustrate the need for these steps, this statement addresses the threats to existing trade in the two export products of greatest importance to Mauritius, *i.e.*, sugar and apparel. While the following comments focus on the importance of maintaining and expanding U.S.-Mauritius trade, these comments are in many respects relevant to trade with Sub-Saharan Africa generally.

I. THE IMPORTANCE OF CONTINUED ACCESS TO THE U.S. SUGAR MARKET FOR SUB-SAHARAN AFRICA.

A. Sugar Exports: The Cornerstone of the Mauritian Economy.

Until relatively recently, the Mauritian economy was almost completely dependent upon one product—sugar. With few natural resources, Mauritius has for more than 200 years relied upon the production and export of sugar for its livelihood. Until the mid-1980's, the sugar industry was by far the largest private sector employer, and sugar exports accounted for nearly 90 percent of Mauritius' total export revenues. Mauritius' dependence on sugar is due to its particular climatic conditions. Sugar cane is one of the very few crops that can withstand the tropical cyclones that frequently hit the island. As a result, sugar cane is grown on over 90 percent of the arable land on the island. Despite its small size, Mauritius is the third largest producer of sugar in the African region and among the top ten sugar exporters in the world.

Over the past 15 years, Mauritius has undergone a successful economic diversification program, primarily due to the encouragement of apparel manufacturing in the Export Processing Zone. Despite the success in developing the apparel industry, the sugar industry remains the cornerstone of the Mauritian economy. Today, the sugar industry remains the second largest employer. Sugar exports now account for roughly 30 percent of gross export revenues and about 50 percent of net export revenues, as the materials and equipment for the apparel industry must be imported.

Nearly ten percent of the total working population of Mauritius is directly employed in the sugar industry. In addition, other industries that support the sugar industry provide further employment. The Mauritian sugar sector is not dominated by a few large corporate farms. Nearly half of the sugar is produced on approximately 35,000 small- to medium-sized farms—most of which are family owned. In addition, no government subsidies are provided to the Mauritian sugar industry.

For decades, the United States has been one of Mauritius' important trading partners and an important market for its sugar exports. Before the imposition of the U.S. sugar quota in 1982, Mauritius exported as much as 100,000 metric tons (MT) of sugar per year to the United States. In the years from 1982 until 1994, the U.S. sugar quota gradually declined, and Mauritius' access to the U.S. sugar market was reduced dramatically.[2] As a result of the Uruguay Round, the United States "bound" the minimum level of the tariff rate quota at 1.1 million MT. Since the Uruguay Round Agreements were implemented, the U.S. quota has been above the minimum level, and Mauritius has been permitted to export approximately 20,000 MT per year to the United States.

Despite the reductions in Mauritius' access to the U.S. market since 1982, the United States remains Mauritius' second largest export market for sugar.[3] Should access to the U.S. market by Mauritius or the other sugar exporters in Sub-Saharan Africa be further reduced, the only alternative market for their sugar exports would be the so-called "world market," where spot prices are extremely volatile and frequently do not even cover the cost of production.

The benefits received from stable access to the U.S. sugar market at reasonable prices are widely distributed throughout the economy of Mauritius. 40,000 workers are directly employed in the production of sugar. These employees are unionized and engage in collective bargaining regarding wages and benefits. The right to collective bargaining is guaranteed by legislation in Mauritius, and working conditions are regulated by government agencies. Sugar industry wages have generally increased faster than the rate of inflation and are comparable with wages in the industrial sector of Mauritius. Moreover, 35,000 small farmers earn their livelihoods or supplement their incomes by growing sugar. As members of the MSS, these small growers share directly in the proceeds received from sales to the U.S. market.

In addition to these direct benefits, revenues earned on sugar exports to the United States are reinvested in Mauritius and have served as an important source of funds for economic development and diversification, including the development of the apparel industry. Mauritius has also enjoyed a sugar-based industrial development in which many local businesses have been established over the years to meet the needs of the sugar industry. For example, businesses have been created to manufacture

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2 The percentage allocation of the U.S. sugar quota assigned to Mauritius—1.2 percent—does not accurately reflect Mauritius' traditional share of the U.S. market due to the unprecedented coincidence of several *force majeure* events during the 1975-1981 base period used to calculate the quota allocations. Mauritius' share of the U.S. quota would have been greater if a more representative base period had been used. Despite repeated requests by Mauritius, the U.S. Administration has not adjusted Mauritius' quota allocation to account for this anomaly in its base period exports.

3 The same is true for most of the other sugar-exporting nations of Sub-Saharan Africa. Ten developing countries in Sub-Saharan Africa hold allocations under the U.S. sugar quota: Congo, Côte d'Ivoire, Gabon, Madagascar, Malawi, Mauritius, Mozambique, South Africa, Swaziland and Zimbabwe. The United States has traditionally been the largest or second largest market for sugar exports by most of these countries.

fertilizer, lime, factory equipment, and other products required to produce sugar. Distilleries have been established to produce rum and perfume from the by-products of the sugar industry. Bagasse, the dried residue from crushed cane, is used in generating electricity for the national grid, replacing non-renewable energy imports such as oil. Indeed, within the next few years bagasse co-generation plants will provide nearly half of the electricity requirements of the country. These new economic developments have provided significant additional employment opportunities as a result of the "multiplier effect" of each dollar earned from the sale of sugar.

For all these reasons, it is of vital importance that Mauritius maintain at least its current level of access to the U.S. sugar market at fair and remunerative prices. Any erosion in the U.S. price or in Mauritius' access to the U.S. sugar market would affect not only the sugar industry, but also Mauritius' ability to plan and to execute future economic development in other sectors.

B. NAFTA Threatens Future Exports to the U.S. Sugar Market from Sub-Saharan Africa.

During the several years preceding the implementation of NAFTA, Mexico was a net importer of sugar. It is ironic, therefore, that NAFTA included provisions designed to encourage increased sugar production and exports by Mexico by providing preferential access to the U.S. sugar market. Such preferential access for Mexico necessarily discriminates against other traditional exporters of sugar to the United States, including the Sub-Saharan African countries, by reducing their opportunities to supply the U.S. market.

Reflecting its status as a net sugar importer, prior to NAFTA Mexico was entitled to export the minimum quantity under the U.S. tariff rate quota on sugar, currently set at 7,258 MT. Under the terms of NAFTA, as amended by the side agreement on sugar of November 3, 1993, Mexico's access to the U.S. sugar market (1) increased to 25,000 MT per year during the first seven years of the 15-year implementation period and (2) by the year 2000 will further increase to the amount of its net surplus production up to a maximum of 250,000 MT per year, provided Mexico has become a net surplus producer of sugar. The U.S. Department of Agriculture has conceded, on the basis of unaudited statistics supplied by Mexico, that Mexico achieved net surplus producer status in 1996.

Not content with the preferences it agreed to in the NAFTA side agreement on sugar, however, Mexico has recently alleged that the side agreement is invalid and has argued that its access to the U.S. market is actually governed by the original terms of NAFTA, unamended by the side agreement. Under the original sugar provisions of NAFTA, beginning in the year 2000 Mexico would be entitled to export to the United States its total net surplus production without any maximum limit. Given the fact that Mexico already claims to be a net surplus producer and plans to continue to expand its production with the U.S. market in mind, there should be little doubt that future access to the U.S. market for other traditional suppliers, including the countries of Sub-Saharan Africa, would decline if Mexico's challenge to the NAFTA side agreement on sugar were to prevail.

Anyone who witnessed Congress' deliberations over NAFTA in late 1993 cannot help but remember the announcement of the side agreement on sugar as one of the pivotal events that ultimately led Congress to pass the implementing legislation. Mexico's claim that the side agreement is invalid, therefore, should be recognized as baseless and rejected out of hand. Even disregarding Mexico's claim that it is entitled to unlimited access to the U.S. market, under the side agreement Mexico will be entitled to export 250,000 MT per year beginning in the year 2000. Such access is dramatically disproportionate to Mexico's traditional exports to the United States *vis-à-vis* the other quota holders and obviously discriminates against the other traditional suppliers.

Against this background, the Crane-McDermott Bill's proposal for negotiating a free trade agreement ("FTA") with the countries of Sub-Saharan Africa provides a means of ensuring that these countries' access to the U.S. sugar market is not unfairly diminished in the future. Specifically, such an FTA should provide that the countries of Sub-Saharan Africa will have access to the U.S. sugar market on terms comparable to those provided to any other country that is a participant in an FTA with the United States, including NAFTA and the proposed Free Trade Area of the Americas ("FTAA"), assuming the latter agreement eventually contains provisions addressing sugar exports to the United States.[4] If such a Sub-Saharan Africa FTA is to be effective, as a practical matter, in protecting Sub-Saharan African access to the U.S. sugar market, it is essential that it be negotiated and implemented on a much shorter schedule than by the year 2020, as proposed in the Crane-McDermott Bill. It is respectfully suggested that the Africa FTA should be scheduled to take effect by 2005, which is the same date proposed for the FTAA.

II. THE IMPORTANCE OF TEXTILE AND APPAREL INDUSTRIES TO ECONOMIC DEVELOPMENT IN SUB-SAHARAN AFRICA.

A. Textiles and Apparel Manufacturing Is the First Step Toward Economic Development.

In a common pattern that has been repeated around the world, one of the first steps taken by developing countries in an effort to develop their economies is to encourage the creation of a textile and apparel industry. Because the start-up capital costs are relatively low and the technological requirements are not usually great, textile and apparel manufacturing is one of the few viable options available to a developing country trying to establish a manufacturing base. Moreover, textile and apparel manufacturing creates immediate employment opportunities in developing countries – which typically have high unemployment – and is well-suited to a relatively unskilled labor force. Finally, creating a successful textile and apparel industry has typically served as a building block for developing countries to expand into other areas of manufacturing.

This pattern has been followed in Sub-Saharan Africa. Prior to the early 1980's, almost no textile and apparel manufacturing existed in that region. By 1983, only two Sub-Saharan African countries - South Africa and Mauritius - exported textile and apparel products to the United States, and their combined exports totaled 26.608 million square meters ("m^2"), or 0.3 percent of total U.S. textile and apparel imports.[5] By 1996, a total of 15 Sub-Saharan African countries had established textile and apparel industries and were exporting to the United States.[6] U.S. imports of textiles and apparel from these countries in 1996 amounted to 127.413 million m^2 or 0.668 percent of total U.S. imports.[7] Thus, although the number of Sub-Saharan African countries exporting textiles and apparel to the United States has increased from two to 15 over the past 14 years, the volume of these imports has only tripled, relative to total imports, because imports from other countries have grown much more dramatically over the same period.

To place this in perspective, each of 28 countries, individually, exported more textile and apparel products to the United States in 1996 than did all of Sub-Saharan

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4 Many of the United States' trading partners in Latin America and the Caribbean are also traditional sugar exporters. It is to be expected, therefore, that they will request that the proposed FTAA should protect their access to the U.S. sugar market.

5 December 1983 Major Shippers Report, U.S. Department of Commerce, International Trade Administration, Office of Textiles and Apparel ("Major Shippers Report").

6 The following developing countries in Sub-Saharan African had begun exporting textiles and apparel to the United States by 1996: Benin, Botswana, Cote d'Ivoire, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Nigeria, South Africa, Swaziland, Tanzania, Togo, Zambia and Zimbabwe.

7 December 1996 Major Shippers Report.

Africa together.[8] As a further point of reference, in 1996 Mexico, by itself, exported to the United States more than 17 times the total volume of textile and apparel products supplied by all of Sub-Saharan Africa. In short, textile and apparel imports from Sub-Saharan Africa remain literally a drop in the bucket of the total U.S. market.

The story of the importance of the development of textile and apparel industries in Sub-Saharan Africa is well illustrated in the case of Mauritius. In less than 15 years, the apparel manufacturing industry has become the largest employer in Mauritius, and apparel exports now constitute nearly 60 percent of Mauritius' gross export revenues and 40 percent of net export revenues. The process of diversification is still ongoing, and Mauritius is currently expanding into other types of light manufacturing, information services and financial services.

The continuation of these export-driven successes, however, is dependent upon Mauritius' ability to maintain access to its major markets for its products, including apparel. Because the United States is an important market for its apparel exports, Mauritius' economic stability and continued development will depend to a substantial degree on its ability to maintain and hopefully expand its access to the U.S. market. The same is true of the other 14 Sub-Saharan African countries that export textiles and apparel to the United States.

Most of the other 14 countries of Sub-Saharan Africa that are developing textile and apparel industries are now following the course charted by Mauritius, and their prospects for successful economic development, like Mauritius', are linked to their ability to establish and maintain access to the U.S. market. Moreover, it must be emphasized that the textile and apparel industries of Sub-Saharan Africa are small and newly developing. Supplying less than one percent of total U.S. imports, they pose no threat either to disrupt the domestic U.S. industry or to continued access to the U.S. market by other supplying countries. It is precisely because these industries are small and newly developing, however, that they need the benefit of quota-free and duty-free access if they are to continue to develop and to be able to share in the new U.S. marketplace for textiles and apparel that is evolving under the ATC and NAFTA.

B. NAFTA and the Uruguay Round ATC Place Textiles and Apparel Exports At a Serious Competitive Disadvantage.

Although the successful conclusion of the Uruguay Round and the creation of the WTO was a tremendous accomplishment, a consensus has emerged that the Uruguay Round Agreements provide relatively few benefits for the countries of Sub-Saharan Africa. Indeed, it is becoming clear that the Uruguay Round Agreements actually raise new problems for Sub-Saharan African exporters. This is especially true in the case of the ATC.

The gradual phasing out of country quotas under the Multifiber Arrangement ("MFA"), as required by the ATC, will result in intense competition for access to the U.S. market. It remains to be seen whether small and relatively new producers like the Sub-Saharan African countries can obtain new market share or even retain their existing small market share once the quotas are lifted on large, low-cost producers. The phasing out of MFA quotas on large producers comes at an especially critical time for the Sub-Saharan African countries precisely because they are relatively new entrants to the U.S. market and do not yet have well established trade relationships with U.S. importers.

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8 Each of the following countries (listed in descending order of textile and apparel exports) supplied more textile and apparel products to the United States in 1996 than did all of Sub-Saharan Africa combined: Mexico, Canada, China, Taiwan, Hong Kong, India, Pakistan, Korea, the Dominican Republic, Thailand, Bangladesh, the Philippines, Indonesia, Honduras, Sri Lanka, El Salvador, Turkey, Germany, Costa Rica, Italy, Japan, Malaysia, Guatemala, Jamaica, Israel, the United Kingdom, Macao, and Egypt. December 1996 Major Shippers Report.

The risks posed by the ATC for Sub-Saharan African exporters are seriously compounded by the textile and apparel provisions of NAFTA. Under the ATC, U.S. quotas on Sub-Saharan African apparel exports will be phased out over ten years. Under NAFTA, however, U.S. quotas on Mexican apparel products that meet NAFTA's "yarn-forward" rule of origin were eliminated January 1, 1994, and U.S. quotas on non-originating Mexican apparel products will be phased out more quickly than under the ATC, with most such quotas to be eliminated by 2001.

Even more important, Mexican apparel products have a permanent duty advantage as a result of NAFTA. Under the ATC, U.S. tariffs on Sub-Saharan African apparel exports will be reduced—*but not eliminated*—over ten years. In contrast, under NAFTA, U.S. tariffs on qualifying Mexican apparel products were reduced effective January 1, 1994, to lower than MFN levels and will be eliminated completely by 1999-2003. Non-originating Mexican apparel products are subject to preferential duty rates under tariff-rate quotas. As illustrated by the following table, Sub-Saharan African textile and apparel products are already at a substantial duty disadvantage compared to the same products imported from Mexico.

		Imported From Africa Under GATT		Imported from Mexico Under NAFTA	
HTS No. (Category)	Product	1996 Duty	Reduced Duty by 2004	1996 Duty	Reduced Duty
6205.20.20 (340)	Men's/boys' cotton shirts	20.6%	19.7%	6.6%	0% (1999)
6203.42.40 (347)	Men's/boys' cotton trousers	17.4%	16.6%	5.8%	0% (1999)
6204.62.40 (348)	Women's/girls' cotton trousers	17.4%	16.6%	5.8%	0% (1999)
6110.20.20 (345)	Knit cotton sweaters	19.4%	16.5%	12.4%	0% (2003)
6206.30.30 (341)	Women's/girls' cotton blouses	16.1%	15.4%	0%	0%
6108.21.00 (352)	Women's/girls' cotton panties	8.0%	7.6%	0 %	0%

Thus, NAFTA grants Mexico preferential access – in terms of both quotas and duties – for its textile and apparel exports to the United States. Such preferential access for Mexican products is especially problematic for Sub-Saharan African apparel exports, because both Mexico and the Sub-Saharan African countries export many of the same products to the United States, particularly cotton apparel. In 1996, the countries of Sub-Saharan Africa exported 89.124 million m^2 of cotton apparel products to the United States, representing 70 percent of their total textile and apparel exports. During the same year, Mexico exported 519.508 million m^2 of the same products - nearly six times the total from all of Sub-Saharan Africa.

As illustrated in the following table, the quota and duty preferences assigned to Mexico under NAFTA are already taking a toll on Sub-Saharan African exports of cotton apparel to the United States, as Mexico's exports of these products have more than doubled since NAFTA took effect, while Sub-Saharan African exports have actually declined:

	U.S. Cotton Apparel Imports from Mexico (million m^2)	U.S. Cotton Apparel Imports from Sub-Saharan Africa (million m^2)
1994	223.270	89.441
1995	381.449	97.589
1996	519.508	82.990
% Increase/ <Decrease>	132.7%	<7.2%>

Source: December 1996 Major Shippers Report.

It is obvious that as a result of NAFTA, apparel products from Sub-Saharan Africa are already at a serious competitive disadvantage *vis-à-vis* the same products coming from Mexico. Of course, the Sub-Saharan African nations are not the only apparel exporters prejudiced by the preferences granted to Mexico in NAFTA. Indeed, recognizing that NAFTA creates the risk of transferring trade opportunities from other developing countries to Mexico, Congress has previously considered the Caribbean Basin Trade Security Act, the so-called "CBI Parity Bill." The core provisions of that bill would, if enacted, extend to the CBI beneficiary countries many of the same apparel trade preferences now enjoyed by Mexico under NAFTA. Such a step, however, would only further compound the disadvantages already facing the Sub-Saharan African apparel exporters.[9]

C. Providing Quota-Free and Duty-Free Access for Textile and Apparel Products from Sub-Saharan Africa Is a Practical Means of Preventing Any Further Decrease in Their Access to the U.S. Market.

As a result of the ATC and NAFTA, the future for Sub-Saharan African textile and apparel exports to the United States is at best uncertain. There is a serious risk that their access to the U.S. market will continue to erode as Mexico's substantial duty and quota preferences continue to be phased in under NAFTA. If these same preferences are extended in the future to other Western Hemisphere countries under the FTAA or the CBI Parity Bill, access for Sub-Saharan African products will be further prejudiced. Moreover, it remains to be seen whether the elimination of MFA quotas under the ATC on imports from major, low-cost producers will leave room in the U.S. market for relatively new entrants to the textile and apparel industry such as the countries of Sub-Saharan Africa.

In these circumstances, the proposal to provide quota-free and duty-free access for textile and apparel products from Sub-Saharan Africa makes eminent good sense. Such a step would allow Sub-Saharan African products to compete for access on an equal basis with products from other suppliers and, thereby, would enable these small producers to obtain and consolidate market share during the critical time that MFA quotas on larger suppliers are being phased out under the ATC. Moreover, given the very small amounts of textiles and apparel imported from Sub-Saharan Africa, implementing this proposal should have at most only a marginal impact on the U.S. market or the domestic textile and apparel industry.

If such steps are not taken, however, there is a serious risk that the countries of Sub-Saharan Africa will never be able to expand their access to the U.S. market on a fair

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9 Even without NAFTA parity, CBI exporters already enjoy a duty advantage over Sub-Saharan African exporters as a result of the 807 program, pursuant to which apparel assembled abroad from U.S. fabric is subject to duty only on the value added. Due to their close proximity to the United States, the CBI countries have been able to take considerable advantage of the 807 program and its duty preferences. It is simply uneconomical, however, for the Sub-Saharan African countries to import U.S. fabric to be made into apparel and returned to the United States due to the substantial freight costs involved.

and reasonable basis, without which access their textile and apparel industries probably cannot develop much beyond their current level. Indeed, there is a serious risk that textile and apparel imports from Sub-Saharan Africa will actually decline and eventually be displaced. Because the establishment of a successful textile and apparel industry has typically served as a building block for further development, the absence of healthy and growing textile and apparel industries will make the already challenging task of economic development and diversification in Sub-Saharan Africa even more difficult.

III. PERMANENT RENEWAL OF THE GSP FOR SUB-SAHARAN AFRICA WOULD FURTHER ASSIST IN THE ECONOMIC DEVELOPMENT OF THE REGION.

The U.S. Generalized System of Preferences ("GSP") has provided important benefits to Sub-Saharan African exporters by exempting a variety of their products, including sugar, from U.S. import duties that otherwise would apply.[10] The existing benefits of the GSP program, however, have been significantly undermined by Congress' renewal of the program for only short periods in each of the last several years. Indeed, the GSP program is currently scheduled to expire May 31 after having been renewed last August for only an eight-month period. The recent pattern of GSP expiration, followed by a period of lapse of from several months to up to a year or more, followed by retroactive renewal has added considerable complexity and uncertainty to the already difficult task of Sub-Saharan African companies exporting to the United States.

The financial impact of even a temporary lapse in the program is not insignificant, as most export contracts provide that any duties are for the account of the exporter. Thus, when the GSP program lapses, duties paid at importation are deducted from the proceeds remitted to the exporter, and it can take a year or more after the program is renewed for duty refunds to be received by the exporter. In the meantime, the exporter in Sub-Saharan Africa has lost the use of those funds. In addition, it is not always a simple task for the exporter in Sub-Saharan Africa to obtain the duty refunds to which it is entitled after the GSP program has been retroactively renewed. Under the procedures of the U.S. Customs Service, only the importer of record usually has standing to request duty refunds or to pursue the matter with the Customs Service if problems arise. However, because the importer has already been reimbursed by the exporter for duties paid, the importer has little incentive to assist the exporter in obtaining duty refunds from the Customs Service.

For these reasons, a permanent, or at least multi-year, renewal of the GSP program would be of considerable assistance to exporters in Sub-Saharan Africa, and the MSS and MUSBA respectfully encourage the Subcommittee to approve such renewal legislation before the program expires on May 31.[11]

IV. CONCLUSIONS AND RECOMMENDATIONS.

When the provisions of the Uruguay Round ATC are considered in conjunction with NAFTA and other Western Hemisphere trade preferences being considered by the United States, it becomes apparent that U.S. trade policy at best ignores Sub-Saharan

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10 Although textile and apparel products generally do not qualify for duty-free treatment under the GSP, the Crane-McDermott Bill's provisions for duty-free treatment of such products would address that gap in the scope of the GSP program.

11 Permanent duty-free status already exists for certain products imported from developing countries in other regions, such as sugar imports from the CBI countries. 19 U.S.C. §2703. Providing the same treatment to all products under a permanent renewal of the GSP program would simply ensure that products exported by developing countries in Sub-Saharan Africa are provided equal duty treatment with products from other regions.

Africa, and at worst adversely affects the economic development of Sub-Saharan Africa by transferring trade opportunities to countries in other regions.

One appropriate means of reversing this trend and actively encouraging trade with Sub-Saharan Africa would be for Congress to authorize negotiations with appropriate Sub-Saharan African countries aimed at creating a U.S.-Africa FTA. Such an approach would ensure meaningful future access to the United States for those products that are most important to Africa, including sugar and apparel. Such access should be provided on terms at least as beneficial as those provided to developing countries in other regions, including Mexico and the CBI beneficiary countries.

We suggest, however, that a U.S.-Africa FTA can and should become a reality on a much shorter schedule than has been suggested. While some countries in Africa may not yet be ready to participate in an FTA with the United States, a number of African countries are currently at a sufficient level of economic development and have demonstrated their commitment to free and open trade to warrant initiating free trade negotiations in the short term future. The member nations of the Southern African Development Community (SADC), including Mauritius, would be a logical starting point for such free trade negotiations. Moreover, an appropriate schedule for such negotiations would be to aim for the conclusion of an FTA with appropriate African countries by the year 2005, the same target as is included in the FTAA proposal.

Recognizing that such negotiations, even if started immediately, would be unlikely to be concluded before Mauritius and other Sub-Saharan African textile and apparel exporters feel the brunt of the apparel provisions of NAFTA and the ATC, which already threaten to reduce their access to the U.S. market, the Crane-McDermott Bill's proposal for immediate duty-free and quota-free access for Sub-Saharan African-origin products is an excellent and practical way of bridging the gap until an FTA can be completed. By thus reducing the threats currently facing Sub-Saharan African textile and apparel exports, developing Sub-Saharan African textile and apparel industries can continue to grow until more permanent arrangements for trade in these products can be established.

The Crane-McDermott Bill's remaining proposals for creation of a U.S.-Africa Economic Cooperation Forum and Trade and Investment Partnership represent sound and practical means of ensuring that U.S. trade and development policy in the longer-term future does not continue to ignore Sub-Saharan Africa. Finally, we encourage Congress to enact a permanent or long-term renewal of the GSP program as quickly as possible.

Respectfully submitted,

Paul Ryberg, Jr.
Pierson Semmes and Bemis
1054 Thirty-First Street, N.W.
Suite 300
Washington, D.C. 20007

April 29, 1997

NATIONAL RETAIL FEDERATION

STATEMENT OF

THE NATIONAL RETAIL FEDERATION
TO THE SUBCOMMITTEE ON TRADE,
COMMITTEE ON WAYS AND MEANS,
U.S. HOUSE OF REPRESENTATIVES
IN SUPPORT OF H.R. 1432
"THE AFRICA GROWTH AND OPPORTUNITY ACT"

April 29, 1997

The World's Largest Retail Trade Association
◆
Liberty Place, 325 7th Street NW, Suite 1000
Washington, DC 20004
202.783.7971 Fax: 202.737.2849

I. Introduction

The National Retail Federation ("the Federation") is the nation's largest trade group which speaks for the retail industry. It represents the entire spectrum of retailing, including several dozen national retail associations and all 50 state retail associations. The Federation's membership represents an industry that encompasses over 1.5 million retail establishments, employs more than 20 million people, and registered sales in excess of $2 trillion in 1996.

The Federation supports the "Africa Growth and Opportunity Act" (H.R. 1432) because it offers much-needed incentives for American companies to work with producers in sub-Saharan Africa in ways that will promote economic development in the region, to the ultimate benefit of U.S. consumers and exporters, including those in the U.S. textile and apparel industries. As a result, H.R. 1432 will enhance the competitiveness of countries in sub-Saharan Africa as suppliers, and improve the attractiveness of their industries to American investors.

II. Sub-Saharan Africa Faces Significant Hurdles to International Competitiveness

It is no secret that the obstacles to economic development in sub-Saharan Africa are significant. Ranging from political instability to poor infrastructure, many international investors and product buyers have historically shunned the region. Most sub-Saharan African producers are relatively inexperienced, unfamiliar with letters of credit and unsympathetic to the need to meet delivery deadlines. Many cannot produce to U.S. order size and quality requirements. Distances to ports can be long and complicated by customs controls that delay shipments unnecessarily, forcing many exporters to rely on more expensive air freight to ship product to the United States.

All of these hurdles have one overriding effect: they raise the cost of doing business in sub-Saharan Africa. A buyer risks delays that result in shortages during peak selling seasons. Special letters of credit and air freight costs raise product costs relative to competitors in Asia, for example. The need to ensure quality, guard against illegal transshipments and a host of other pitfalls virtually ensures that a U.S. retailer must maintain a full-time presence in the region, adding to the cost of doing business in sub-Saharan Africa.

III. The United States Can Do Much to Offset Some of those Hurdles

While there is relatively little the United States can do, at least in the near term, to eliminate political instability in sub-Saharan Africa, or even to build or repair the transportation system or educate entire workforces, the United States can do much to lower costs of doing business in sub-Saharan Africa in ways that would at least begin the process of development in the region. This includes providing duty-free and quota-free access to the region's exports to the United States of basic apparel, footwear and home furnishings.

Indeed, there is something fundamentally flawed with current policy, which with one hand doles out aid dollars meant for development, but with the other limits the region's exports to the United States with quotas and some of the highest tariff rates in the U.S. schedule. For example, when a sub-Saharan producer breaks away and starts to become a competitive producer of a given basic apparel product, as have Mauritius and Kenya, the U.S. response is to limit those countries' exports with quotas. The quotas -- even the prospect of new quotas -- have a chilling effect on much-needed foreign investment in the region, as the case of Kenya shows. As soon as the United States began to impose quotas on U.S. imports of men's and boys' cotton woven shirts and cotton pillowcases, U.S. retail interest in sourcing from Kenya virtually evaporated. The risks are too great that new orders will be restricted by quota.

IV. U.S. Consumers and Exporters Would Be the Ultimate "Winners"

Sub-Saharan African producers have the potential to be strong suppliers to the U.S. market for such products as basic apparel, footwear, and home furnishings. These are products generally in short supply because (a) U.S. manufacturers cannot meet all of U.S. demand for low-cost apparel and (b) other foreign suppliers are limited by quotas that fill regularly.

While most large U.S. retailers have explored the region's potential as a supplier of these products, many have backed away from committing large orders to sub-Saharan African producers. Indeed, many have left the region altogether. While duty-free and quota-free benefits will not necessarily bring them back in droves, these initiatives will help to rekindle interest in sourcing from sub-Saharan Africa. They could also be just the incentive that Asian apparel and footwear producers need to invest in the region, providing much-needed jobs and training to a work force that has the potential to be a strong supplier to the United States.

Moreover, because there is virtually no fabric industry in sub-Saharan Africa -- at least, not one capable of supplying the fabric required to produce apparel and home furnishings for the U.S. market, a need is virtually guaranteed for the region to import foreign fabric. This it currently does, largely with fabric imported from Asia. The opportunities for U.S. textile producers to export fabric, even fabric cut in the United States, are therefore significant. While the Federation does not believe that quota and duty benefits ought to be limited to just U.S.-formed and cut fabric, there certainly does appear to be room for special arrangements for apparel made in this way.

Neckwear Association of America, Inc.
151 Lexington Avenue New York, NY 10016 2F
212/683-8454 FAX: 212/686-7382

STATEMENT OF

THE NECKWEAR ASSOCIATION OF AMERICA

TO THE WAYS AND MEANS SUBCOMMITTEE ON TRADE
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C.

TRADE WITH SUB-SAHARAN AFRICA

May 13, 1997

I. INTRODUCTION AND STATEMENT OF POSITION

This statement is submitted on behalf of the Neckwear Association of America (NAA), a trade association comprised of domestic necktie producers and their suppliers. NAA's member companies account for the vast majority of neckties produced in the United States. This statement responds to the Subcommittee's request for public comment on providing preferential trade access to the U.S. market for countries in Sub-Saharan Africa.

H.R. 1432, the African Growth and Opportunity Act, would eliminate the exclusion of apparel from coverage under the Generalized System of Preferences (GSP) and liberalize quota access to the U.S. market for textile products that originate in Sub-Saharan African countries. The neckwear industry is opposed to these provisions. Rapid growth in imports, particularly from less developed Asian countries, has harmed the domestic necktie industry. Duty-free and quota-free treatment for apparel from Sub-Saharan African countries will subject domestic producers to increased imports from a whole new area of the developing world.

II. THE U.S. NECKTIE INDUSTRY IS EXTREMELY IMPORT-SENSITIVE

U.S. imports of neckties almost doubled between 1984 and 1996, from 1.6 million dozen to 3.0 million dozen. Much of this growth came from new Asian suppliers. Necktie imports from Korea jumped from only 81,000 dozen in 1984 to 1.0 million dozen in 1996. Almost overnight Burma has become a major supplier of neckties to the United States. Imports from Burma rose from zero in 1994 to 45,053 dozen in 1995 to 210,469 dozen in 1996.

This increase in imports has come at the expense of the domestic industry. Many companies have simply been unable to stay in business against low-price imports from developing countries. Those that remain in business are faced with greatly reduced profit margins, creating an uncertain future for their companies and the men and women they employ. Under the circumstances, U.S. necktie producers can ill afford further increases in imports from low-wage countries.

III. SUB-SAHARAN AFRICAN COUNTRIES HAVE THE POTENTIAL TO BECOME MAJOR SUPPLIERS TO THE UNITED STATES

Sub-Saharan African countries are poised to start down the path of industrialization. All of the ingredients are in place for this to happen -- a very low-wage work force, abundant raw materials, and a developed world eager to assist in the task. An apparel industry will be one of the first industries to develop by virtue of its labor intensity and the relative ease with which sewing and assembly operations can be established. Sub-Saharan African countries will be no different than the many other less developed countries that have developed necktie industries. Duty-free and quota-free access to the United States for apparel will only hasten this development.

IV. CONCLUSION

Neckties were excluded from coverage under the GSP many years ago in order to help a domestic industry harmed by imports. Necktie imports today play an even bigger role in the domestic market than they did back then. The NAA recognizes the importance of helping Africa to develop economically but this help should not take the form of lost jobs and lost output in the domestic necktie industry.

Statement of Rubber and Plastic Footwear Manufacturers Association

The Rubber and Plastic Footwear Manufacturers Association (RPFMA) is the spokesman for manufacturers of most of the rubber-soled, fabric-upper footwear, waterproof footwear, and slippers made in this country. The names and addresses of the Association's members appear on appendix 1.

On March 18, 1997, we testified before the Trade Subcommittee on U.S. trade objectives and initiatives. We pointed out the labor-intensive, import-sensitive nature of the rubber footwear industry. We called to the Committee's attention the facts that labor constitutes in excess of 40 percent of the total cost of production, that imports of fabric-upper footwear and slippers take in excess of 80 percent of the U.S. market, and that import of waterproof footwear takes in excess of 40 percent of this market.

The rubber footwear industry's experience under the Caribbean Basin Initiative is directly relevant to the Committee's consideration of whether the duties on products of this industry should be eliminated for imports from Sub-Saharan Africa. In 1990, with the adoption of CBI II, duties on rubber footwear and slipper imports from the Caribbean, made with domestic components, were eliminated. As a direct result of that legislative act, imports of such footwear from the Caribbean (most particularly from the Dominican Republic) increased from 200, 000 pairs in 1990 to in excess of 12 million pairs in 1996. The vast majority of this footwear was made by American companies which closed their plants in the United States and shifted their operations to the Dominican Republic in order to take advantage of duty-free treatment.

There is every reason to believe that rubber footwear's CBI experience will be duplicated if the countries in Sub-Saharan Africa are permitted to export rubber footwear to this country without the necessity of paying duties. It must be remembered that the duties on rubber footwear products are relatively high-- ranging from 20 percent to in excess of 60 percent. The merits of the industry's duties have been examined time and time again by the Federal Government, with the result that the duty structure remained virtually intact in the multi-lateral agreements resulting from the Kennedy Round, the Tokyo Round, and the Uruguay Round.

If the remainder of this industry is to survive and if rubber footwear employment in communities such as Lumberton, North Carolina, Rock Island, Illinois, Skowhegan, Maine, and LaCrosse, Wisconsin, is not to be eliminated, H.R. 1432 should fail of enactment. Nor is it sufficient to say that the industry will have an opportunity under H.R. 1432 to make its case for sensitivity before the International Trade Commission; this is a very small industry and its resources have been strained by the frequent need to appear before Congress and Executive agencies. We hardly need add that a company trying to plan the site of future production is disadvantaged by the time-consuming nature and uncertainty of a Government agency's determination.

It is difficult to believe that our Government would have a conscious policy of urging indutries such as rubber footwear to close its domestic operations, fire its employees, and move to countries where they can operate with labor at one-twentieth the cost of American labor and not have to pay duties on their imports.

We hope that we are wrong in our view that the impact of H.R. 1432 on rubber footwear would be as dire as we believe would be the case. If we are wrong, however, this legislation would prove to be no value to the Sub-Saharan nations it is designed to help, and the Act would do no more than raise false hopes.

For the above reasons, the Rubber and Plastic Footwear Manufacturers Association has no other choice than to vigorously oppose the enactment of H.R. 1432.

APPENDIX I

RUBBER AND PLASTIC FOOTWEAR MANUFACTURERS ASSOCIATION

American Steel Toe
P.O. Box 959
S. Lynnfield, MA 01940-0959

Converse, Inc.
One Fordham Road
North Reading, MA 01864
(with a plant in North Carolina)

Draper Knitting Co.
28 Draper Lane
Canton, MA 02021

Genfoot
Littleton, NH

S. Goldberg and Co.
20 East Broadway
Hackensack, NJ 07601-6892

Hudson Machinery Worldwide
PO Box 831
Haverhill, MA 01831

Kaufman Footwear
Batavia, New York

LaCrosse Footwear, Inc.
PO Box 1328
LaCrosse, WI 54602
(plants also in New Hampshire and Oregon)

Frank C. Meyer Co.
585 South Union Street
Lawrence, MA 01843
(with plants also in New Jersey, Missouri
Maine, Mississippi, and Puerto Rico)

New Balance Athletic Shoe, Inc.
38 Everett Street
Allston, MA 02134-1933
(with plants in Maine)

Norcross Safety Products
1136 2nd Street
PO Box 7208
Rock Island, IL 61204-7208

Spartech Franklin
113 Passaic Avenue
Kearney, NJ 07032

Tingley Rubber Corporation
200 South Avenue
PO Box 100
S. Planfield, NJ 07080

STATEMENT OF
JAY MAZUR, PRESIDENT
UNION OF NEEDLETRADES, INDUSTRIAL AND TEXTILE EMPLOYEES, AFL-CIO
ON H.R. 1432 THE AFRICAN GROWTH AND OPPORTUNITY ACT
SUBMITTED TO THE SUBCOMMITTEE ON TRADE,
COMMITTEE ON WAYS AND MEANS, U.S. HOUSE OF REPRESENTATIVES
May 13, 1997

UNITE, which represents 300,000 workers in textile, apparel and other related industries, has been involved with the economic and social development in Africa for the last 20 years. We have lobbied our government to provide assistance to Africa and we have participated in projects that provide education, vocational training and managerial skills to many of the countries of sub-Sahara Africa. We have also put substantial effort and resources into building unions and other non-governmental organizations in Africa.

We feel a special obligation to assist the peoples of Africa to improve their economic circumstances. While parts of H.R.1432, The African Growth and Opportunity Act, would have positive consequences and, in fact, are long overdue, other parts of the legislation are badly flawed. We do not believe that the provisions of H.R.1432 meets the needs of the people in Africa. They are poorly designed to accomplish the task of promoting economic development in the region.

Textile and apparel trade has been global for a very long time. It was the first manufactured good to present the problems of multi-nation shifts in production and widespread overcapacity in the post World War II era. It is not an accident that trade in textile products have been subject to international understandings and agreements going back to President Eisenhower's administration. The issue has always been how to direct trade so that economic development is maximized and social dislocation minimized.

Trade should increase the standard of living for all workers in a country, not just the few at the top. The economies of Africa can only be bolstered if their people, including their workers, truly share in economic development and truly benefit from it.

My most critical comment, one that I shall deal with first, is the question of worker rights and labor standards, its importance in both human and economic terms and the fact that it is ignored in this legislation. Support for the rights of workers to protect themselves and share in a nation's prosperity are basic to any help we can give to the people of Africa to improve their lot and to help them to create stable democratic societies.

Our union has consistently demanded that core labor standards, as defined by the International Labor Organization (ILO), must be a part of any trade agreement. This is the best way to ensure that the wealth generated by increased investment and production is shared by the workers in the producing countries. Without labor standards, the globalization of production results in the worst kinds of sweatshops, child labor and inhumane working conditions.

The failure of H.R.1432 to require core labor standards, elementary human rights and democratic political institutions as preconditions for gaining preferential eligibility is its most serious omission. In opposing the legislation for this omission we are taking the same position we have on all trade legislation and international agreements where the US is a major participant.

In fact, the existence of quotas and control of access to our market provides valuable leverage to get nations to respect worker rights and helps workers gain their share of export generated wealth. Five years ago the government of Lesotho decided to suppress their trade unions hoping to gain market share through lower labor costs. American textile trade unions prevailed on the US government not to renew the bilateral quota agreement with Lesotho until full labor rights were reestablished. This threat was sufficient to rectify the situation and a new, enhanced bilateral agreement was concluded.

The second major difficulty in this bill is that it could assist Asian nations more than African nations. By creating a vast area of quota free and duty free textile and apparel exports, it is likely that illegal transshipments -- already an enormous problem -- will overwhelm legal shipments.

Establishing a visa system has virtually no effect on transhipments. China has always had a visa system, but it is the source of $8 billion worth of illegal imports into our market. Visas are not designed to address the transshipment problem, and this bill provides no additional penalties or disincentives to counteract the enormous loophole it creates in the trading system. Customs has already found products from Asia illegally coming through eight African nations. The potential for transshipment is so great that it will undermine not just legitimate production in Africa but production from many other developing nations around the world.

By creating a hugh duty free, quota free exemption from the basic agreement reached as part of the balance of concessions for textiles and apparel in the WTO negotiations, this legislation breaks faith with American workers. It undermines the commitments and tradeoffs made in that agreement.

There is no prohibition in this legislation against the use of imported labor -- really indentured servitude -- we have seen utilized in other areas of the world to work in the newly established apparel industry. In the Northern Mariana Islands and several Middle Eastern countries the entire apparel industry work force was imported from various Asian nations. Again, incentives created by duty free and quota free access to the US market result in such reprehensible labor market activity. Both this bill and the standards for country of origin in the WTO agreement have to be changed to prevent this abuse from continuing.

There are several other significant problems with H.R.1432. In the section setting out eligibility requirements the President is directed not to just determine whether the conditions have been met, but can also consider if the country "is making continual progress toward..." the requirements. This makes the requirements meaningless as our experience under GSP standards, which has similar language, clearly demonstrates.

The Agency for International Development is directed to set up and support programs which develop "a receptive environment for trade and investment." We have had past experience with such programs by AID in Central America. In essence American tax money was being used to destroy jobs here and move them to the targeted nations. Special subsidies were given by AID to set up foreign trade zones (where domestic laws don't apply), train workers, pay for overhead, etc. Congress subsequently forbid such expenditures and this prohibition still exists. If special preferences are going to be given to a foreign nation it is unconscionable that workers in the textile and apparel industry carry 100% of the burden.

Our African colleagues tell us that their apparel industry is usually destroyed when import barriers are removed and tons of used clothing, generally from the developed countries, flood their local markets. This bill should prohibit the export of used clothing to the beneficiary countries to prevent an unintended perverse effect.

Finally, in order to set up a true preferential system for sub-Sahara Africa in textiles and apparel, this legislation should direct the President to renegotiate the Agreement on Textiles which is part of the WTO agreement and several of our quota bilaterals. The WTO provisions, in effect, grandfather in the historical trade patterns which have come to dominate world trade in these commodities. This means certain nations have excess quota or a wholly disproportionate share of our market which is very difficult to rebalance. Some international mechanism must be found or negotiated to reallocate quotas such that a desirable preferential system can have precedence over the mania of the existing structure or the future free market system coming in 2005.

The best features of this legislation are the efforts to reduce or remove the debilitating foreign debt burden of African nations and the emphasis on building a necessary infrastructure to support industrial investment. Our union strongly endorses these provisions, and urges even greater amounts of money be spend on creating a viable infrastructure. Without a developed transportation system, reliable energy supplies, clean water, responsible waste disposal and an adequately educated population very few investors will make the level of commitment of resources necessary to have meaningful economic development.

Our union has been a strong proponent for development policies in Africa for many years. We are encouraged that some nations are beginning to make significant progress in economic growth and raising the standard of living for a broad portion of their citizenry. Unfortunately this legislation has too many aspects that do not contribute toward that goal and we must express our opposition to its enactment.

Statement of United States Association of Importers of Textiles and Apparel, New York, New York

Discussion

I. About USA-ITA

USA-ITA is an association founded in 1989 which now has more than 165 members involved in the textile and apparel business. USA-ITA members source textile and apparel products both domestically and overseas. Members include manufacturers, distributors, retailers, and related service providers, such as shipping lines and customs brokers. USA-ITA member companies account for over $44 billion in U.S. sales annually and employ more than one million American workers. These are good jobs -- in production, design, freight forwarding, distribution, sales and other services -- well paying, skilled jobs that Americans want to have.

The ability of USA-ITA members to respond appropriately to consumer demand, and thereby maintain and increase competitiveness in the world marketplace, and to expand the number of good jobs in the United States, is very much dependent upon U.S. textile and apparel trade policy. So long as there is uncertainty, including the threat that quotas will be established on speculative and newly developing opportunities, the ability of importers and retailers to consider these options and offer the benefits to consumers is greatly constrained. Therefore, USA-ITA strongly supports the establishment of an express United States Government policy to provide quota-free and duty-free entry to textiles and apparel from Sub-Saharan Africa.

II. U.S. Textile and Apparel Importers Need An Incentive To Consider Sub-Saharan Africa

The reasons why textile and apparel trade from Sub-Saharan Africa has been so minimal are many. Currently, investment in this region is not particularly attractive for the textile and apparel import community largely because the region is extremely distant from the United States.

The travel time to reach Sub-Saharan Africa is long. While there are direct air flights from New York to Johannesburg, South Africa, that take only about 11 hours, other Sub-Saharan sites are more difficult to reach. By airplane, it takes some 20 hours of flying time over two days to get to either Kenya or Mauritius, both because of the distance and because connections are limited. That is just for personnel, such as buyers, to reach the area. For most of the Sub-Saharan nations, the infra-structure is also highly limited, making movement beyond port areas difficult if not overly time consuming or altogether impossible. That makes land-locked Sub-Saharan nations even less viable options.

For the movement of goods, however, the time involved is even more extreme: it takes at least a month, and typically 40 to 45 days for goods to move by ship from Mauritius to New York. In part this is due to the lack of major container facilities within Sub-Saharan Africa, so the region is reliant upon "feeder" carriers to move goods to ports where they can be consolidated with other shipments before actually heading for the United States. At that point, the distance between Sub-Saharan Africa and the United States accounts for the rest of the excessive time involved. And time is a major consideration in the fashion business. So is cost. The shipping costs involved, particularly when raw materials also must be brought into the region, undermine manufacturing savings that may be achieved through low labor costs. To some extent, the long lead times and high ocean shipping costs have meant that air shipping merchandise is an equivalent option, a strong indicator of the expensiveness of sourcing from Sub-Saharan Africa.

Political instability in the region also has no doubt had some impact on new investment in the region, and on the willingness of some companies to maintain investment over the long term. While there is a limit on the extent to which these geographic and political disincentives can be ameliorated, U.S. textile policy also has worked against the region. Unless U.S. policy is revised, there is little that is likely to entice American companies to seriously consider the Sub-Saharan region.

III. Current Perception of U.S. Textile Policy Is Impeding The Development of Textile and Apparel Manufacturing in Sub-Saharan Africa

Those few American companies that have ventured to the region have not necessarily been rewarded for their efforts -- to the contrary, they have been slapped, with quotas established under the U.S. Textile Program and with changes in the origin rules that determine whether those products are African. The result has been that although trade from the region has increased slightly, from 100.8 million "square meter equivalents," or SME (the standard measure used in the U.S. Textile Program), in 1992 to 131.9 million SME in 1996, its share of total imports of textile and apparel imports into the United States has remained at 0.69 percent. While trade from the region is up since 1992, imports in 1996 are down 9.28 percent from 1995, when the U.S. imported 145.4 million SME from the region.

For example, there are a number of quotas on trade from Mauritius, one of the very few Sub-Saharan countries to actually develop a relatively varied textile and apparel manufacturing business. Mauritius' trade in textile and apparel products in 1996 was slightly less than its trade in those goods in 1992, measured in million SME:

1992	1993	1994	1995	1996
36.3	46.5	50.5	46.5	34.4

Source: Trade Monitoring Service, International Development Systems, Inc.

During this period, some two dozen categories of goods produced in Mauritius were subject to U.S. quotas, although throughout this period Mauritius' trade has never accounted for more than 0.29 percent of total imports of textiles and apparel into the United States.

Kenya, the only other Sub-Sahara African country subject to U.S. quotas, has suffered an additional and slightly different fate. First, in 1994, when it was introduced to the U.S. Textile Program as a result of the establishment of two quotas, one on pillowcases (category 360) and the other on cotton and man-made fiber woven men's and boys shirts (categories 340/640), some 10,000 Kenyans lost their jobs and more than 30 companies exited the textile/apparel business.[1/] Between 1995 and 1996, Kenya's trade in shirts, categories 340/640, declined by more than 40 percent, from 392,519 dozen to 235,079 dozen.

Second, Kenya is also a victim of the change in the U.S. rules of origin for textile products, implemented on July 1, 1996. Kenya's trade in bed sheets, which

[1/] Source: Asian Wall Street Journal, July 16, 1996, Page A-1, by Michael Phillips. According to the article, "Before the move [imposition of U.S. of quotas], Kenya boasted more than 40 textile and apparel companies employing at least 14,700 workers." The article cites as its source "an unofficial study by World Bank Economist Tyler Biggs."

was not under a U.S. quota, was effectively put out of business as a result of the rules change. Its related trade in pillowcases, which has been under quota, also has been devastated. Under the pre-July 1, 1996 rules, if a fitted sheet, a flat sheet, or a pillowcase, were subjected to sufficient cutting and sewing operations, the country of origin was where those cutting and sewing operations occurred. Now, however, under the new rules, where the fabric is woven determines origin, regardless of the many and substantial processes that may follow elsewhere. Within the town of Mombasa, Kenya that has meant the shut down of the only manufacturing facilities in the town, because Mombasa produced fitted and embellished flat sheets, and pillowcases, from fabric sourced in Pakistan. Kenya is not a fabric producing country. Thus, Kenya went from shipping 510,864 numbers (pieces) of cotton sheets (category 361) to the United States in 1995 to shipping only 67,560 numbers of cotton sheets in 1996, a decline of 86.78 percent. And, trade in cotton pillowcases (category 360) went down from 598,656 numbers in 1995 to 426,576 numbers in 1996. In 1997, there has been no trade in these products.

The quota levels established for these Sub-Saharan countries also have been extremely small. These small levels of trade that mean only a few importers can get involved. While it is the nature of the U.S. textile program that those who come latest to the business are going to be permitted an increasingly smaller piece of the quota pie, the knowledge of this basic reality works as a strong disincentive for an importer to enter a location such as Sub-Saharan Africa. The region is already so far away, thereby greatly increasing costs and time, and making it that much more difficult to manage, that there must be something else to overcome these problems. One incentive would be to have an assurance that a sufficient and commercially viable quantity can be obtained. A larger quantity generally means lower per piece costs. Clearly, a second incentive would be duty free treatment, to compensate for the increased shipping costs.

IV. The U.S. Already May Have a No Quota Policy on Sub-Saharan Africa

As a practical matter, there are two related reasons why the United States may already have a de facto no quota policy with regard to Sub-Saharan Africa. First, with most of the nations in Sub-Saharan Africa already members of the World Trade Organization, the likelihood that any of these countries would have their textile trade subjected to new U.S. quota actions appears minimal. Since the WTO went into effect on January 1, 1995, and as a consequence of the rules established by the WTO's Agreement on Textiles and Clothing, it would be extremely difficult for the United States to justify a unilateral quota action on one of these African nations absent an astronomical expansion of trade.

Second, to the extent that there is a reluctance on the part of the United States to place restraints on South Africa, WTO rules serve to limit the ability of the United States to limit other Sub-Saharan countries trading in those same products but shipping smaller quantities than South Africa.

Under the ATC, a WTO member country may impose a quota on another WTO member only if there is a determination that total imports of a particular product are being imported in such increased quantities as to cause "serious damage or actual threat thereof, to the domestic industry producing like and/or directly competitive products." In addition, to justify the imposition of the quota on a particular supplier, the serious damage or threat must be "attributed" to that supplier on the basis of "a sharp and substantial increase in imports" from that supplier and on the basis of "the level of imports from other sources, market share, and import and domestic prices." Thus, unlike the predecessor Multifiber Arrangement, the ATC does not permit new quotas to be established solely on the basis of a bilateral agreement between the supplier and importing countries, and the ATC requires that there be an increase in both total imports and in the volume of imports from each particular supplier to which the serious injury or threat thereof is being attributed.

The result of this new standard is that it is more difficult for the United States to establish new quotas. While a large number of quotas were initially sought by the United States in the first year the ATC was in effect, the Administration attributed a half dozen of them to "old business," that is, quotas that they had sought to establish before the ATC went into effect but failed to complete. However, of the 25 U.S. requests for consultations to WTO members[2/] to establish quotas (usually referred to as "calls") since January 1, 1995, 16 have been rescinded or dropped, leaving only 9 still in place.

Until just late this month, no calls had been issued by the United States to WTO members since April 1996.[3/] In part, this is attributable to the fact that overall trade in many categories has been down, with the U.S. market for textile and apparel products generally soft. However, some credit also may be due to the WTO rules, and the interpretation of those rules by WTO Dispute Settlement Body panels.

South Africa stands out as an example of how one Sub-Saharan country has been able to expand its trade in textile and apparel products, at least in part because no quotas have been imposed on its trade since the trade embargo was lifted. In addition, there is a perception that as part of a U.S. policy to support the South African non-apartheid government, the United States may be more reluctant to impose limits on that country's trade. Thus, while the region as a whole has experienced reduced textile and apparel exports to the United States, South Africa's exports of these goods (in million square meter equivalents) have been steadily increasing:

1994	1995	1996
23.8	34.9	48.7

Despite this situation, from the perspective of U.S. importers and retailers long accustomed to the U.S. Textile Program, there is still uncertainty. The possibility that quotas could be established if they were to take a chance and begin expanding sourcing from another African nation continues to serve as a disincentive. It is that perceived threat that has kept importers from moving forward in Sub-Saharan African nations other than South Africa.

V. Asia Faces A Greater Risk Than U.S. or North American Producers From An Express U.S. Policy On Textile Trade With Sub-Saharan Africa

It is USA-ITA's belief that it is only Asia that could lose sales as a result of a change in U.S. policy toward Sub-Saharan Africa, not American manufacturers and not Mexican or Caribbean businesses. The reason is a combination of costs and shipping times.

[2/] Another six requests for consultations have been issued by the United States to non-WTO members, as of April 1997.

[3/] USA-ITA understands that during April 1997 a call on a part of one fabric category has been issued to Pakistan, which is a WTO member.

Currently, Mexico enjoys an advantage unmatched by most other suppliers, as evidenced by skyrocketing expansion of its textile and apparel trade to the United States. Besides its close proximity to the U.S. market, including a land border that permits the movement of goods by truck, duties on products which qualify under NAFTA rules are already at or near zero and soon all qualifying products will be at zero duties. Thus, Mexican made goods can get to the U.S. market faster and cheaper than many products from many other suppliers.

Caribbean-based trade also shares the advantage of close proximity and low labor costs, but currently operates at a disadvantage to Mexico because it does not enjoy NAFTA duty rates and because there is some additional shipping time and costs involved.

Asian suppliers cannot compete with the shipping costs and time advantages offered by Mexico and the Caribbean. In addition, labor rates in Asian nations are moving up, making these countries less competitive on that basis as well. Add to that the fact that Asian goods are subject to regular most-favored-nation duty rates, while Mexican made products avoid most of the brunt of high U.S. duty rates, and the Caribbean is able to reduce its duty exposure through "807" type trade, and it is not surprising that Asian suppliers are considered more costly and even high-end. To some extent, these factors may be contributing to the expansion of trade from Mexico and the Caribbean at the expense of Asian suppliers.

Thus, while labor costs in Sub-Saharan Africa generally may be low (although productivity is probably not as great as in more accomplished textile and apparel producing nations), the remote location of Sub-Saharan Africa vis-a-vis the U.S. market causing higher shipping costs, and the application of the high U.S. duty rates places costs for sourcing from this region above, or at best on a par with, Asia. Eliminating the duties on African made products would most likely make these products more competitive with Asian made goods, but still no where near the price points possible for Mexican and Caribbean made goods.

U.S. producers also would not be threatened by the elimination of duties on Sub-Saharan textile and apparel products. To the extent domestic production has declined in recent years, it is because U.S. producers of apparel have chosen to move assembly jobs to Mexico and the Caribbean while maintaining their ability to meet the "quick response" requirements of their customers. Given the costs and time involved, these producers are not going to move production to Africa. Moreover, U.S. textile producers are not going to lose sales to Sub-Saharan Africa because these countries do not have textile manufacturing facilities. To the contrary, because of the need to provide raw materials to Sub-Saharan nations, increased production of apparel and home furnishings there may offer significant opportunities for U.S. textile mills to sell to those countries.

VI. Concerns About Use of Sub-Saharan Africa as an Illegal Transshipment Point Can Be Effectively Addressed

USA-ITA recognizes that there is a concern by some domestic producers that if Sub-Saharan Africa is encouraged to expand its textile and apparel trade and is not subject to quota restraints, it could become a point for illegal transshipment, with products labeled as made in Sub-Saharan Africa which are actually produced elsewhere. USA-ITA believes that these concerns can be effectively addressed through inter-governmental cooperation, U.S. assistance through education programs, and eventually visa systems.

USA-ITA is confident that if these governments and their industries are provided with the necessary training on the U.S. rules of origin for textile and apparel products, the expectations of U.S. importers and retailers with regard to matters such as factory verifications, U.S. Customs entry requirements, and on how a visa, or export licensing, system operates, the potential for illegal transshipment is substantially minimized. A cooperation and exchange program between U.S. and Sub-Saharan customs officials could be particularly effective. While the establishment of visa systems may not be immediately feasible for a number of these countries, because it would require the creation of a new bureaucracy and a system for controlling documents, ultimately this may be appropriate. USA-ITA would be prepared to assist in each of these efforts.

Respectfully submitted,

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